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HONGKONG AND THE ASIAN CRISIS

By Prof. E. Stuart Kirby

We are entering into a critical stage of Asian history and world history. There seems to be little realization of how deeply conditions and alignments have changed. Post-war rehabilitation and reconstruction were largely completed, in the eastern half of Asia, when the Korean War Boom supervened in 1950-51. The effects of that boom were largely of "shot in the arm" character. Some countries of the Region unexpectedly acquired Balance of Payments surpluses, or found their Terms of Trade improved; all looked forward more avidly and optimistically than before to their own economic development.

This flush mood continued despite the relative recession that followed, from 1951 onwards. In the six following years, an entirely new pattern of the East Asian economy was laid down. The post-war phase was over, and a new (post-post-war) era opened on quite a new basis. The two giant-sized countries of the region, independent India and Communist China, completed their preliminary First Five-Year Plans of economic development, and moved on to their next-stage Second Five-Year plans. Japan moved out of the artificial situation of the Occupation phase, on to the longer-term basis of her true relationship to this developing Region, which must inevitably be that of the only already industrialized country in it, a "workshop of Asia" and a large contributor in terms of technical assistance, exports and investments. In view of her industrial and commercial capacity and her constricted and over-populated situation, Japan's offers of services and her ability and determination to participate and compete must become very strong and pressing.

Latterly, Indonesia has entered into a crisis which, whatever its political outcome, must result in a still more nationalistically self-reliant urge for economic development. Malaya comes forward as a new nation, with clear views and

intentions for its own self-reliant development. Where once was Indo-China, there now stand four new independent States, similarly entering on the course of planful Development.

Nationalist China (Taiwan) also settles its planning perspectives on a new pattern; self-sufficiency, industrialization and dispensing with American aid. The Philippines proceeds also in the perspective of national economic development, with a time-table for terminating, step by step, the special economic relationship with the United States. The other independent countries of the Region, Thailand, Ceylon, Burma and Pakistan are clearly set in the course of national economic development. British Borneo must be included in this list, as having definite plans and purposes of development; the Land Below the Wind is considering how to raise the wind in future.

Hongkong now stands alone in this respect, with no long-term plan or perspective of this kind, in startling contrast to the rest of the Region. It takes, seemingly, a short-term view, and is apparently making neither preparations nor investments in its own territory, on any really long-term scale of vision. The phenomenal development of "downtown" types of real estate is not a healthy feature, in the long-term view.

How can a capitalistic, unplanned, *laissez-faire* economy maintain its key position and prosper, in such a contrasting environment? Only by exercising better foresight than the other countries, and by maintaining superior efficiency and elasticity so as to adapt itself very quickly to changing needs, preferably ahead of the changes rather than after them.

This is not a momentary situation, or chance combination of circumstances. The features noted above express a full and continuing trend. Immediately, this trend of economically nationalistic planned development is likely to be intensified, for two evident reasons.

The first of these is the disappearance of clear American superiority in para-military world power; i.e., in the first place, loss of what had been a practical monopoly of nuclear weapons. This monopoly previously gave an "umbrella" for the "free-world" (open world-economy) development of this Region and other under-developed areas; a Pax Americana, like the Pax Britannica maintained by the British Navy in the nineteenth century, operated in effect for a time. But that monopoly is now broken; the other side caught up in nuclear weapons, and went further into spatial ballistics. In the sphere of economic aid also, the United States, though still far more powerful than the other side, no longer has an absolute monopoly. A new equilibrium will soon be reached; but it will be one based on a competitive situation, not a monopoly to one side.

The second factor in question is the onset of a fairly serious recession in the world economy. Shipping is already extremely slack. The bottom threatens to fall, once more, out of the primary products markets; at any rate, the prospects in those markets are poor. Some increase in unemployment and social stress appears inevitable everywhere. Competition will sharpen in deadly earnest. The reaction will certainly be an intensified economic nationalism, speeding plans for national economic independence and self-containedness as far as possible.

Politically, the Communist side appears now, profiting by these circumstances, to be preparing for a phase of renewed Cold War; in which Communist China is loudly asserting its leadership as the champion of real Leninist-Stalinist orthodoxy.

In short, what was, only a few years ago, a fairly open business field, with the diverse countries of the Region at different phases of their national and economic evolution, variously situated and having mixed needs and tendencies, is settling into a more clearly delineated common pattern. That pattern is one of programmatic and premeditated economic development by each country, on a basis of autarchic policy decided on and scheduled out ahead by that country itself. Foreign pressures from outside the Region remain very great, though they are now rather extrinsic from the Asian viewpoint; but they now appear in the form of a rivalry between competing suppliers, of which rivalry the alert Asian countries are going to take maximum advantage. Foreign trade and aid are however rather the dependent variables now; countries are not going to vary their policies and programmes to fit in with foreign trade and aid, but rather to accept whatever foreign trade or aid serves to move them forward on their chosen paths. In this sphere, the sellers' market has turned largely into a buyers' market.

In this situation, there is all too little room for the free-lance *ad hoc* basis of business, in which the short view predominates, that has hitherto been broadly characteristic of Hongkong. Dealings are to be, in the last analysis, with Five Year Plans, and with policies of development, industrialization, etc., conceived and charted in terms of a generation or more; not with private entrepreneurs like ourselves, whose interest is naturally centred rather on the immediate transaction and its close background. Competition is to be (in the last analysis) against National Economic States, similarly motivated largely by their longer-term aims, rather discounting the immediate profitability; intent on eliminating foreign products and replacing them with their own, and ready to use all means to that end, such as subsidy, controls, tariffs, etc.

Bilateralism, barter trade, long-term agreements, counter-part allocations, linear programming and some other new-fangled features will figure in the new business age. Early twentieth-

century colonial conceptions or methods are quite unsuitable for coping with the requirements of such a situation. To do so, some striking changes are necessary.

An evident one is the development of market analysis and economic forecasting techniques, in the up-to-date sense of those terms. We must have full statistics and full current policy and market information about all the countries concerned. We must have the personnel with full knowledge of these things, and the ability to use them. We must have staffs, in a very much larger middle-rank structure than hitherto, with knowledge of what all these countries produce and want, what they are planning to do and hoping to do now and in future—and with the knowledge and judgment to assess their present and future success in those plans, and to translate the conclusions into current business action, in the actual daily life of a real firm.

Management, in this broad sense, is the paramount need of the day—next to and in close association with modern technology. The plentifulness of labour in general is an advantage, but it leads to dangerous illusions if it obscures the fact that what is really decisive is the availability, on a sufficient scale, of the highest grade of labour—the managerial and business administrative capacity. Success in the economic development race will depend, more than on anything else, on the provision of this element. Japan is the only country of the Region which provides itself with this element to any large extent, and modernises its business structure accordingly, in a degree and manner almost comparable to western-hemisphere standards. India also merits perhaps close consideration by the same standards.

The other countries of the Region are at least making a broad and systematic effort in that direction; every year scores of thousands of young men (and even a few young women), trained for this key role in modern society, are coming forward, even in the minor Asian countries. Hongkong now produces about a dozen graduates a year in Economics, reasonably well trained to the specifications indicated in the last paragraph. Very much larger numbers are required, together with further modernization of the arrangements for their training; a general widening of the structure of the representative firm, to make full use of the junior managerial element, which is indispensable to modern business and industry.

This is only one aspect of the matter; but I believe it to be the key one in our present case, actually one which would well pay as a social investment. Other angles of the problem may be considered in later issues of this journal. I am not, of course, suggesting that Hongkong should "go over to planning," from its strikingly successful basis of private enterprise; but only that the latter should be modernised, and supported by those institutional and public facilities, for business education and business information, which are nowadays considered normal and commonplace, even in the least developed countries.

Nor—I would say in conclusion—should the stress on our competitive power, necessary and unavoidable as it is, be taken to mean an advocacy of thinking merely in terms of "cut-throat competition." International co-operation and co-ordination are deeply desired, and are really essential to this Region and the world. They are certainly essential to Hongkong, and should be cultivated by all means. That, too, requires better-trained personnel, wider information and better use of it. Paradoxically, more efficient competition, which means wider information, taking a longer-term view of other countries' interests, is actually the real way to co-operation and mutual understanding.

SOVIET-AMERICAN RELATIONS AND A SUMMIT CONFERENCE

By Professor David J. Dallin

Deep at the roots of the "summit conference" agitation, as at the roots of recent Soviet foreign policy in general, lies the Kremlin's conviction that the era of American supremacy has passed and the era of Soviet world leadership has arrived. Over the ages one great power has succeeded another as the dominant influence in the community of nations—Greece yielded place to Rome; Spain to Britain and Britain to the United States—the dominant nation losing its supremacy to a younger and more vigorous successor. The Soviets are now convinced that the United States, having taken over, at the end of the second World War, the position held by Britain, is now, after little more than a decade of supremacy, forced to vacate the presidential chair in favour of a power whose ascendancy would be tantamount to the triumph of socialism over capitalism.

The Russians have repeatedly asserted that the Soviet Union, not the United States, was the first country to build an atomic plant, and the same claim is made with respect to the conquest of space. "The very fact that the first socialist nation of the world was the first country to break the way into the cosmos signifies a new era in the evolution of mankind."

The Soviet Union, Moscow claims, has outstripped the United States in science. Soviet missiles, says Moscow, are larger and travel farther than American missiles, and Soviet superiority in conventional as well as modern weapons is not disputed. The press also boasts that in music and the arts Soviet performance "is admired all over the world," and the successes of Soviet artistic groups abroad are triumphantly reported. It is claimed since the last Olympic games that the Soviet Union occupies first place in sports. In only one field, the economic, does the Soviet government and its press acknowledge American superiority. But even here Soviet victory "is not far away." The drive to "catch up with and outdo America in a few years in production of meat, butter and milk" is on, and the government tries to convince the Russian population that it will win the race. In regard to all other goods, Khrushchev says: "We will achieve a higher per capita production of consumer goods than in the advanced capitalist countries. We are making our calculations now, and say that not much time will pass before we will clear the highest barrier of capitalist countries, and will surpass the level of production in the United States of America. What will you say then, gentlemen?"

The "imperialists" in the United States, say the Soviets, are desperately trying to catch up with the Soviet Union and regain first place; but their efforts are in vain, for in every field Soviet superiority will grow and grow and grow. According to Khrushchev: "The Soviet Union will not stand still while they are catching up. We will not sit and sip tea. We, too, will be doing something so that we shall not be overtaken. So such a foolhardy policy of the imperialists can lead only to an endless armaments race with all its ensuing consequences."

To one familiar with the real situation in both countries, the prospect of a hitherto backward nation like the USSR emerging in the near future as the leader of world civilization appears fantastic. Yet Moscow definitely holds this conviction, and it is a factor of major importance in our time.

Khrushchev himself no doubt believes what he says about Soviet superiority over the West. To this clever, able, but primitive man, who has had a meteoric rise to power, and who has been unbelievably successful in his inner-party as well as foreign-political operations, there would be nothing miraculous in the emergence of his country as the Demiurge of the Universe.

In November 1957, during the celebration of the fortieth anniversary of the Bolshevik Revolution, an international conference of Communist leaders was held, at which the CPSU made desperate efforts to restore its leadership of the world Communist family. The prestige of the Russian party had been badly damaged by the degradation of Stalin, the Hungarian

revolt, the Soviet-Polish crisis, and still smoldering Yugoslav opposition. Venerated Communist leaders in Italy, Poland, and America had expressed doubts as to Russia's right to occupy the driver's seat, and Khrushchev's group had to fight hard to silence its opponents and revive the old formula, "under the leadership of the Soviet Union." For the CPSU, its own claim to leadership implied a great pledge. The idea that the individual Communist parties had reached maturity and no longer needed guidance from the Kremlin had taken hold during the post-Stalin years. The satellite leaders had observed with interest Tito's victorious fight for the principle of "equality among the socialist nations." If Khrushchev now claimed once again for the Russian party the supreme leadership it had held in Stalin's day, he must prove its title to such leadership by demonstrating the benefits that would accrue to the socialist camp as a whole. Consequently he must display the greatest activity, dynamism, and initiative.

No sooner had the Communist conference ended than the Soviet drive for a summit conference was launched. The summit idea had been vaguely mentioned before, but now it became a real campaign. The first notes proposing it were dispatched by the Mininzel on December 10, 1957, inaugurating the flow of numerous and unprecedented Bulganin letters.

As proposed by Bulganin, the summit conference agenda was to cover, in the main, issues related to atomic and other armaments. These were matters appropriately falling under the jurisdiction of the old Disarmament Commission of the United Nations, and there was no reason to expect that a summit conference would be any more successful in solving them than had the Commission. But the Soviet regime had tired not only of the Commission but even of the whole United Nations itself as an active institution. The numerical ("arithmetical") representation of the Soviet Union and its satellites in the UN, Moscow felt, was not in proportion to their newly-acquired supreme importance in world affairs.

Much as it has served as an excellent rostrum for Soviet propaganda aimed at the peoples of the world, the UN proper is not an instrument of action in Soviet eyes, because of the predominance of the American-British block. This predominance, say the Soviets, was a feature of the past; the Soviet Union now deserves a more prominent place than that of a small, impotent minority. As the Soviet Union sees it, a summit conference in which it would face the great powers would be more satisfactory, and to be adequate to the requirements of the new era the conference should include some of the Soviet satellites, which would ensure that the Soviet leadership would not be relegated to the unfavourable position it has held till now.

The issue which was uppermost in the Soviet leadership's mind when Moscow broached the convocation of a summit conference was not included in the officially proposed agenda; but its very omission made it more important than all the other topics put together. This issue was that of the future of Eastern Europe and East Germany. What the Soviet government badly wanted was to obtain a summit meeting of the "Big Four" from which this issue would be tabooed and therefore could not occasion an official divergence of views. Were the Western governments to agree to the taboo, their agreement would, in effect, tacitly close the door on an old dispute and virtually seal the fate of seven Eastern nations.

This unusual procedure appeared necessary because Moscow saw no other way of obtaining Western recognition of the *status quo* in the Soviet East European bloc. In earlier times Russia would simply have annexed the conquered territories and incorporated them into her empire. But the rules of Soviet empire-building and new worldwide trends now make such a procedure impossible; in our time a facade of national "sovereignty" and of "equality" with the Soviet state must be maintained. What Moscow wants, and what it has so far achieved, is a combination of outward independence and actual

subordination. To make its dominance official, to seal and confirm it, to legalize in advance any new Hungarian-type attempt, and to consolidate the bloc, an international conference, at which preservation of the *status quo* would be the agreed basis of deliberations, would be useful. As a matter of fact, during the preparatory negotiations for a summit meeting, Khrushchev has so repeatedly stressed the *status quo* formula that his intentions cannot be in doubt. Eastern Europe is taboo, he says in effect, and if you insist upon discussing it, better no summit conference at all: "We state and state again that we do not intend to meet to discuss the question of the people's democracies and the German question in the sense that Messrs. Eisenhower, Dulles, Adenauer conceive them."

At the same time Khrushchev has left no doubt that, in the event of new popular disturbances in the people's democracies, the Soviet leadership would act exactly as it did in Hungary. He has bluntly served notice on the Western powers that: "In the event that enemies of the workers or provocateurs should attempt a *putsch* or a counterrevolution in any socialist country, then I say to you here that all the socialist countries and the armed forces of the Soviet Union are always prepared to unite, to provide help and to answer the provocation as it deserves to be answered."

The Soviet programme for a summit conference includes a number of suggestions concerning the testing of atomic weapons, disarmament, and reciprocal withdrawal of military forces from eastern and western Europe. It would be wrong not to give weight to the economic reasons for these proposals. The Soviet economy, despite all its successes, must cope with many difficulties, and new problems are arising. The West has so often stressed the peculiar ability of the Soviet government to pump out of its economy the funds needed for armaments that the other side of the picture has been obscured. Certainly the Soviet Union is at an advantage in being able to depress living standards to a level impossible in other countries, thereby creating funds for expansion of "heavy industry," for armaments, loans to foreign countries, and weapons for friends and satellites. But even such a rigid system has its limits. In addition, lack of young manpower, together with the growing demands of certain strata of the population for better living conditions, adds to the difficulties. The Soviet government, too, has crucial budget problems. It must try to reduce the cost of armaments.

The Soviet government will reduce its armaments budget, however, only if this can be done while still maintaining the ratio of its military power to that of the West—and, in certain fields, its already achieved margin of superiority. The emphasis in the race with the West has shifted with the years from a purely economic competition to one in arms and forces, as well to outdo America in these fields in more than a principle; it is a vow and a commandment.

A partial withdrawal of Soviet forces from Eastern Europe would save billions of rubles, and this saving is one of the aims of Moscow's reciprocal "demilitarization" scheme. But the balance between Soviet and Western power in Europe would also change critically in Russia's favour the moment such a programme was fulfilled and the American army and air force were removed from the continent—which points to the second aim of the Soviet proposal. In the West European vacuum that would be created by the withdrawal (because France is bogged down in Africa and West Germany is still too weak militarily), pro-Soviet (though not Russian) forces or trends could get the upper hand.

West Berlin might well become the first victim of the new imbalance of power. This small island in the Soviet-German sea, with only two million inhabitants, could swiftly be invaded from East Berlin and since no effective local armed resistance could be deployed, it might be annexed to the DDR (German Democratic Republic) before Bonn, Washington, Paris, and London could react. In that case, the rest of West Germany would undoubtedly be the next, and decisive, target of operations. Elimination of West Germany from the Western alliance, above all from NATO, is the primary aim of Soviet foreign policy. The high esteem in which Germany has always been held by Moscow and Germany's present decisive role in European defense make the Bonn government the first target of Soviet diplomatic and power drives.

The German issue reappears in different guise as the kernel of the Rapacki plan, another item on the agenda of the proposed summit conference. The idea of the Rapacki plan is to create a European "zone" in which no nuclear weapons would be stored, the zone to embrace Poland, Czechoslovakia, and both parts of Germany. Named after its initiator, Poland's Foreign Minister Adam Rapacki, the plan has been presented to the world as a non-Soviet project, though it received prompt Soviet blessing after its announcement.

Poland would like atomic bases to be as far as possible from her borders—an understandable and legitimate desire since, however small the protection afforded by European distances in an era of jets and missiles, there would still be a certain amount of comfort in the knowledge that the nearest A- and H-bomb stores were hundreds of miles away. Poland wants the zone to stretch to the western borders of Germany, 500 or 600 miles from Warsaw. But what about the area to the east? Why should not the zone extend 600 miles in the other direction, that is, as far as Kursk or even Moscow? After all, the Soviet border—and a possible A-bomb base—is only 60 air miles from Warsaw. Would it not be more logical for the Polish government to demand a "de-atomized" zone with Poland in the geographic centre?

To ask this question is to cast doubt on Poland's role as the initiator of the Rapacki plan. During the preparatory stage, when Warsaw was discussing the plan with Prague and Berlin, it had also, as a matter of course, been in consultation with Moscow. Was it Warsaw's or Moscow's idea? Did the Polish foreign minister have to accept, *contre coeur*, the Soviet thesis that Soviet A-bombs are not dangerous and only American and British bombs must be kept out?

There is another reason for assuming that the Rapacki plan is actually a Gromyko plan. Revealing atomic secrets and supplying atomic weapons to allies are matters that bother not only Washington and London, but Moscow, too. Sooner or later a decision will have to be made by the Soviet government, and an answer will have to be given to inquiries on the part of satellite military leaders and general staffs about A-weapons for their armed forces. This is a delicate issue for Moscow. Less than two years ago Poland threw out a Russian marshal and his aides; in Hungary a Soviet-trained army turned over its weapons to a revolutionary populace. Should Moscow, then, entrust the ultimate weapon to potential adversaries? Every possible answer to this question is fraught with complications. The best solution would be a "de-nuclearized zone" from which all foreign troops would also be removed. This solution, however, suits Soviet interests better than it does those of Poland and Czechoslovakia.

Finally, the Rapacki plan would rest upon the "solemn pledge" of the A-powers to comply with the rules for the "zone" and keep nuclear weapons out of it. A high degree of international confidence is therefore an obvious precondition of the plan; but in view of the rapid and unpredictable changes that might occur in the highest echelons of the Moscow government, acceptance of the Polish plan involves a great deal of chance-taking.

More reliable than such a "solemn pledge" would be international inspection and supervision of partial or total disarmament. So far, however, the Soviet attitude in this respect has not been encouraging. Moscow has promised more than once to make inspection possible, but the promises have been unclear and evasive. Actually, the Soviet Union knows more about the armaments status of the West than vice versa, and if disarmament is agreed upon, Moscow would have a multitude of means of its own for observing and judging Western compliance with the prescribed rules. On the other hand, were it to agree to effective control, it would have to permit far-reaching contacts between Western representatives and the Russian population both in regard to armaments and in general. The political climate of the Soviet Union, its police system, and general rigidity almost preclude such a degree of rapprochement with the non-Soviet world. The Soviet statements that have been put forward publicly on the issue of international inspection are, therefore, unconvincing. Khrushchev, for example, said on April 10, 1958: "They propose control. We are for control, but they want to establish a kind of control that would mean interference in the internal affairs of our state, infringement of our sovereignty. In short, set

ECONOMIC PROGRESS IN THE FRENCH UNION 1946-1957

Since the end of the Second World War, France has gone through a period of virtually continuous economic expansion. This is not sufficiently well-known abroad, where the published news of the French economy deals chiefly with inflation, rises in prices and threats to the rate of exchange. In reality, these undeniable difficulties are largely caused by the very speed of the development and by the impatience of a population of thirsty consumers. In fact, the French economy made one of the quickest recoveries after the war and has since made the most constant progress. Since the end of the reconstruction, that is roughly since 1949, the national product has increased at the rate of 5% per year and even by 6% since 1954. Industrial production, which at the present time is more than twice the 1938 level, is increasing by from 8 to 9% per year and its progress has not yet slackened, although in many other countries the post-war prosperity is showing signs of falling off.

Even more than the increase in production, it is the transformation of the production machine which is most impressive in France. Massive doses of new investments have thrust this economy to a new technical level in contrast to the period between the two wars when investments hardly made up for the wear of installed equipment. There have been, however, very many difficulties to overcome. When in 1945 officials responsible for the French economy set a target of reaching and exceeding the highest pre-war production levels, which in the event were those of 1929, there was one immediate task, that of repairing the immense damage caused by military operations and the prolonged occupation of the territory. At the same time, a large backlog of work on equipment and maintenance had to be caught up, which had to be postponed during the long period of depression and stagnation of the 30's. Heavy investments had also to be made most

urgently in overseas territories of the French Union to combat nationalist propaganda and to support the balance of payments of the Union.

It is not astonishing that, with such burdens, stresses arose in the French economy, the more so since it was not possible to avoid the loss of some colonies, expensive military operations have had to be conducted in others and during the first post-war years a large proportion of property held abroad had to be sold to pay for essential imports (foreign aid subsequently obtained, especially from the United States, was only a stop-gap.) Fortunately, even when inflationist trends threatened to dislocate the French economy, the population never lost sight of the key to the problems, which was to be found in an intensive equipment policy; a people often considered to be undisciplined buckled down and from 1947 put into effect a series of plans for reconstruction and development which have provided constant guidance for private enterprise and for the administration of public services.

Now, the word "plan" must not suggest a heavy bureaucratic machinery: the "General Commissariat" and the "Economic and Financial Study Office" who are responsible for preparing the plans and supervising their execution throughout the French Union, have had only a few tens of technicians working full-time. But wide discussions were organised in all branches of the economy with members of industry and experts. Nineteen modernisation committees and many subcommittees and working groups conducted studies. Altogether, some thousands of people were working together; businessmen, industrialists, agriculturists, workers, trade unionists, technicians and civil servants. The recommendations which emerged generally represented a policy on which there was already a wide measure of agreement, and which therefore was most likely to be applied.

In fact, the results obtained have always been close to the forecasts. In 1953, at the end of the first plan, all main targets for 1947 had been reached within plus or minus 15%. From this moment the French economy had a greater production capacity than at any time in the past. Large amounts of real capital had been amassed in a country where in the previous period the trend had been rather to hoarding and consumption. In particular, there was no longer any material shortfall which could be a brake on production.

There remained, however, much to be done to raise the standard of living and to balance overseas payments. This implied new progress in production and productivity and demanded a general atmosphere of expansion. Thus, the second French plan was designed to be more than an investment project. It was a co-ordinated overall reform.

During the period 1953 to 1957, this second plan set a general target of increasing the national product by 25% over 1952, by increasing agricultural production by 20%, industrial production by 25 to 30% and building by 60%. Exports were to increase by 35%, while imports were to remain about stable. Taking everything into account, the standard of living was to increase by 4% per year. In practice, the production targets were all reached by 1956, a year early—so rapid was expansion; but this expansion was obtained by a very much higher level of imports than had been planned, while the increase in exports was appreciably below the target. Owing to this, reserves of foreign currency ran very low.

The French economy is now at a turning point. Either, it must increase its exports in order to continue expansion, or else it is condemned to make only very limited progress. This is the central idea of the third plan which has just been drafted to cover the period 1957 to 1961. This provides for a new increase in the national product of 27%, that is about 5% per year, the increase being 15% in agricultural production and 32% in industrial production. But three essential conditions must be fulfilled. Investments in France itself must increase more rapidly than the national product and they must be so directed as to reduce certain imports which are a particularly heavy burden (rubber for example). The develop-

them at the table and they will put their feet on the table. . . . The ruling circle of the Western powers say: let us agree that our planes will fly over your country and your planes over ours. But we don't want to fly over your country and don't want even the smell of you over our country."

Khrushchev was even more frank at a diplomatic reception at the Indian Embassy in Moscow on January 27. When you visit a person whom you do not know well, he said, "you may get into the hall. You may get into the parlour or even the dining room. But you do not go into the bedroom." To insist upon an inaccessible "bedroom" is tantamount to rejecting control, and to reject control is to reject disarmament.

What the Soviet Union can expect to gain from a summit conference is more or less obvious. As the initiator of the first top-level East-West conference since Geneva, and as the formulator of its proposed agenda, it expects, first, a substantial gain in prestige. Second, it expects at least tacit recognition of the Soviet orbit in Eastern Europe, including East Germany. Third, as the culmination of its current worldwide propaganda drive, it expects to pressure the West into agreeing to the cessation of nuclear tests, which will serve to improve its own position in the nuclear arms field as compared with the United States. Fourth, it counts upon achieving an opening wedge towards the withdrawal of Anglo-American forces from Europe.

What the West can expect from a summit conference is less certain. If, in defiance of the Soviet taboo mentioned earlier, it solemnly announces a programme for Eastern Europe along the lines hitherto adhered to, the possibly heartening impact of the announcement will be coupled with a feeling of discouragement at the obvious difficulty of translating such words into deeds. If reunification of Germany is stressed, moreover, the Soviets certainly will not allow the subject to come under serious discussion. Consequently, control of space and inspection as part of a disarmament program appear to be the only important problems that could be taken up seriously. Here, too, however, a successful outcome would depend entirely on Moscow's willingness to budge from its present position, and so far it has given no indication that it is prepared to do so.

ment of overseas territories of the French Union must be accelerated so that Metropolitan France can make greater use of them as a source of supply, especially for petroleum and non-metallic minerals. Finally, exports must leap up by 40% to compensate for the inevitable increase in imports of energy and materials and to help to fill the gap in the balance of payments.

This last target may seem pretentious abroad. Who are these young upstarts who hope to conquer the world? In reality, France is already a big trading nation, the fourth in the world, selling and buying each year outside the French Union more than 7 thousand million dollars worth of goods. But it considers that, compared with countries like the United Kingdom or Germany for instance, its position could be very much bigger than it is if the internal French market were less insatiable. Anyhow, the purpose of this article is to show that recent technical achievements authorize the French claim to a higher position. It is for the reader to judge whether the claim is justified.

BRILLIANT PROGRESS IN APPLIED SCIENTIFIC RESEARCH

The rate of scientific progress has nowadays become so rapid that all countries are likely to be short of scientists and technicians, and governments everywhere are concerned to produce more of them. Each nation understands that in a little while its place in the world, its influence, its economic power and finally its ability to survive, will depend upon the number of students which the science faculties train each year and on the strength of its laboratories.

France, where traditionally literary and legal studies have for a long time enjoyed preference, now finds after the war that it is especially threatened by this lack of scientists; but it has been able to adapt itself and important results have already been obtained which will produce even greater benefits in the future. The adaptation has consisted first in a profound change in the distribution of students between the different branches of study, both in advanced learning and in secondary education. In 1947, for example, out of the total of about 130,000 students attending the universities or colleges, there were barely 25,000 scientists (excluding future doctors and pharmacists), i.e. 19%. In 1957, when the total number had risen to nearly 180,000, the number of scientists was nearly 60,000, i.e. one-third. This latter figure includes 2,000 students from overseas territories of the French Union, and 2,000 foreign students from some 50 different countries.

The trend is even more marked in secondary education. Last year, mathematics and experimental science classes supplied nearly 60% of leaving certificate candidates. It is deduced that the present trend will continue and it is reasonably sure that in 1965 the science faculties and scientific or technical colleges will take in some 120,000 students out of a total of about 340,000.

A second comforting fact since the war has been the development of a large number of institutes of applied research, vocational technical centres, and industrial laboratories. A great effort has been made in training their personnel by the universities, by the National Centre of Scientific Research and by private enterprise. The State for its part has fostered their creation by taxation and banking measures: rebates on capital goods, exemption of gifts and subsidies, granting of long-term loans at a moderate interest.

In this stimulating atmosphere, applied research has made great strides in France and this article will give a few examples. But for the moment, let us content ourselves with listing the fields where particularly striking results have been obtained:

Applied Mathematics: econometrics, mathematical statistics, electronic calculation. *Production of energy:* coking of gas coal, underground gasification, electrical and telluric methods of petroleum prospecting, techniques of large dams and water turbines, tidally operated power stations, use of solar energy. *Metal mining:* Methods of treating low grade ores by concentration and mechanical preparation. *Physics, electricity, mechanics:* liquification of gases, fluid dynamics, long-distance transport of electrical power, high-tension electrical railway traction, wave transmission and propagation, semi-conductors, electronic telephones, gas turbines, free-piston generators, turbo-jets, etc.

THE FOURTH ATOMIC WORLD POWER

The French atomic industry was born in 1945 at a time when the United States, Canada, the United Kingdom, and the USSR held a virtual monopoly of supplies of uranium, and when most scientific and technical discoveries were covered by military secrets. Ten years of hard work however have enabled French scientists and technicians to build a powerful industry, the level and development of which can be realised from a few figures:

General trend: Although France now possesses the means for manufacturing atomic bombs, its industry is exclusively directed in practice to the peaceful application of nuclear physics, in particular to nuclear energy. In this connection its programme fulfils a real need, since the French consumption of energy is increasing by nearly 5% a year and currently requires annual imports of about 50 million equivalent tons of coal.

Basic technique: To produce this nuclear energy, France has chosen to start by using plutonium, waiting until later to apply the other method of uranium-235 obtained by isotope separation. At the present stage, we are operating plutonium generating reactors. The following phase in about two years will see the first nuclear generators brought into action.

Manpower resources: At the present time, France has about 1,400 atom engineers and some 2,000 specialised technicians. Each year, the universities and the Institute of Science and Nuclear-Techniques at Saclay train 400 more.

Research equipment: To mention only particle accelerators, the French atomic industries have three Van de Graaf machines, a 25 million electron-volt cyclotron and a large proton synchrotron of 2,500 million electron volts, which has no equivalent in Europe.

Nuclear material resources: Metropolitan deposits of uranium mineral are among the largest in Europe—100,000 tons of uranium in the present state of knowledge; furthermore, Madagascar has a rich deposit of uranothorianite, which makes France one of the biggest producers of thorium in the world. To the national resources will shortly be added 2.5 tons of uranium-235 sold by the United States and lesser quantities supplied by the United Kingdom.

Reactors: Five of these are in service. Some are experimental and research reactors, such as EL-1 and EL-2, the first two French heavy water piles brought into operation in 1948 and in 1952 respectively, or like the EL-3, another heavy water pile which came into service in 1957 and which has the highest neutron flux in Europe. The others are graphite power reactors, the principal object of which is the production of plutonium, such as the G-1 pile at Marcoule, to which is connected a generating station for recovering energy which on 28th September 1956 supplied the first kilowatts of electricity of atomic origin produced in Western Continental Europe.

THE MOST EFFICIENT COAL MINES IN WESTERN EUROPE

In an effort to make the best of her coal resources, which are often difficult to reach and are getting low in places, France has boosted her output in 1957 to nearly 60 million tons of coal, thus surpassing her prewar record of 55 million tons, set in 1929-1930. Throughout this period, productivity, which is the true barometer of industrial progress, showed a most remarkable increase. It is measured, in the coal-mining industry, by the underground worker daily output, viz. the quantity of coal produced in a day by the average underground worker. Towards the end of 1957, that quantity was equal to 3,750 lb., as compared with 2,994 lb. in 1952, 2,704 lb. in 1938 and 2,165 lb. in 1930. Or, to use another way of illustrating the progress achieved, 145,000 underground men, working an average of 265 days, have produced some 60 million tons in 1957, while 209,000 men working 290 days produced a lesser quantity in 1930.

France is the only nation, in the European Coal and Steel Community, which increased its efficiency to that extent since the prewar years; in that respect it definitely ranks first among the European nations, including Great Britain whose mines suffered much less damage during the war.

What are the facts behind these figures? In the underground operations, preparatory to actual coal cutting, more advanced techniques and tools are being used in driving galleries and digging oreways in the coal seams. Hydraulic

drilling, the use of drills mounted with tungstene carbide bits, simultaneous blasting and removal with mechanic shovels and other automatic units have done much to increase the speed of excavation and, at the same time, improve underground working conditions. In the actual mining operations, a progress of obvious significance was made by the introduction or intensified use of mechanized apparatus and explosives: where machines could not be utilized, blasting was largely developed. Elsewhere, or at least in seams of reasonable strength and length, the pneumatic hammer—which is not too efficient and imposes undue fatigue on the miner—was progressively replaced by tools designed when metallic supports combining steel props and lengthening attachments became more generalized.

The handling operations, loading, removal and transportation, were given special care. Automatic loaders, gravity spiral conveyors, steel chutes, belt and scraper conveyors came to supplement the jig chutes of the prewar period. In modernized mines, the new implements now bring the coal to large capacity cars (800 gallons) hooked together in high speed electrically hauled trains. Where this is feasible, "skips" or automatically fed troughs of huge size hoist the coal to the surface.

A NEW COAL AND STEEL COMPLEX IN THE LORRAINE REGION

The Lorraine Basin is the newest and richest coal deposit in France; by its operating conditions, it is also the closest French counterpart of the great mining areas found abroad. The coal seams, thicker and more regular than in the Nord Basin, lend themselves more readily to mechanized operations. But nothing contributed more to the growth by leaps and bounds of the Lorraine output—which, from 6 million tons per year before the war, has jumped to 14 million and will hit 17 to 18 million tons in a few years—than the recent discovery and industrial application of new processes for transforming into coke a variety of coal which, thus far, had been notoriously unfit for the coke ovens.

The Lorraine Basin—and for that matter the Saar Basin—produces mostly fat and flaming coals with a high percentage of oxygen and volatile components; when processed in the conventional way, they yield coke of a fragile or broken up variety, of little use for the foundries. It was a frustrating situation for this highly industrialized region: Lorraine's booming steel industry and its rich coal basin made such a poor match that the local foundries, with a wealth of coal around them, had to buy their coke from sources as remote as the Ruhr Basin in Germany. The year 1947 saw the first successful attempts at correcting the situation, viz. at overcoming on an industrial basis the two fundamental defects of the Lorraine coals: their lack of cohesion and their excessive tendency to crack. Three different remedies were simultaneously tested and put to use: in the first one, the coal is stamped and mixed with bituminous coals and finely ground coke dust (process applied in Carling). In the second one, the coal is previously dried and charged in the oven with local semi cokes (Marienau). The third process involves a selective preparation of the mixture, where the coal is crushed and sifted (Thionville).

The tests proved more than successful and it may now be said that the problem is technically solved. Hundreds of coke ovens have been erected where the new techniques are applied on a large scale. They use about 70 per cent of the Lorraine coal in coke mixtures. Furthermore, the technicians also succeeded, without too much trouble, in raising the share of Lorraine coal used in the conventional coke plants to an average 50 per cent. French dependency on foreign coke, and on the Ruhr Basin, is thus being gradually checked.

THE BIG DAMS

Dam construction is a field where the French have always excelled. From the early gravity dams to the more recent multiple-buttress and arch dams, all types of structures with one or more replicas have been built in France, some of which are still in service after more than a hundred years. The earliest dams were constructed in order to form reservoirs for the storage of water for irrigation. Later, during the 19th century, masonry dams were built to supply the cities with drinking water. The designs of the most famous structures in that category were developed by Lampy and Grosbois, whose studies

on the stability of embankments subsequently became classics in their field.

The development of hydroelectric power in the 20th century gave its true impetus to the techniques of dam construction. Skillfully utilizing all the possibilities of concrete, a group of French engineers—Caquot, Freyssinet, Coyne, Lossier and others—have made outstanding contributions to river development. The 200 dams built since 1930 stand as a permanent tribute to their work and experience. French technique is characterized chiefly by its methods in design. Since two projects are very seldom alike, French engineers are always reluctant to apply ready-made solutions. Rather, they try to adapt the project to its natural conditions, and make the best of the characteristics of the site, so as to achieve greater economy without impairing the security or beauty of the structure.

It was economy which led French engineers to design horizontal-arch and multiple-arch structures, and also to tackle successfully such auxiliary problems as the design of reinforced concrete flood gates and of automatic discharge pipes. Among other noteworthy contributions of French engineers, let us mention the special processes used in the exploration of foundations (exploratory drilling and prospecting by the Schlumberger process) and the Coyne sound detectors, which permit continuous testing of the structures.

TOWARDS THE COMPLETE CONTROL OF THE RHONE AND RHINE RIVERS

The Génissiat dam is a powerful structure, 360 feet high and 470 feet wide, which locks the Rhone river near the town of Bellegarde and stores more than two billion cubic feet of water. With this water, 5 generators of 90,000 H.P. produce 1,700 million kWh. annually. The structure, which was started in 1937 and completed in 1948, was only the first phase of a gigantic project involving the ultimate development of the Rhone valley for the triple purpose of power production, river regulation and irrigation. The second phase was the harnessing, on the lower Rhone, of the Donzère and Montélimar falls whose annual power production capacity is close to four billion kWh. From 1947 to 1957, 7,000 men have been working on the erection of these large plant and lock systems and on the derivation of the water through two 18-mile canals. Vessels are now able to avoid the shoals and other obstacles present in the natural bed of the river.

The third phase is taking place at Le Logis Neuf, one of two levels met on the river when going upstream in the direction of Lyon. When the whole project is completed, the Rhone will be turned into a gigantic stairway of tamed waters. It will supply the country with some 13 billion kWh. and irrigate 750,000 acres of land. With the construction of the Grand Canal d'Alsace, a similar purpose is being pursued on that part of the Rhine which extends between Basel and Strasbourg.

Power will be supplied there by 7 power plants installed along the river each capable of producing one billion kWh. annually. The first station, at Kembs, on the upper part of the segment, was put into service in 1932. The second was open at Ottmarsheim in 1952, the third at Fessenheim in 1956, while the fourth and fifth are under erection. The Grand Canal d'Alsace, now being dug out in successive links, will eliminate the shortcomings of the natural river bed. With Kembs now in operation and with the difficult passage of the Istein sand banks and rocks bypassed by the vessels, navigation on the Rhine has already jumped from 4 million tons in 1951 to 7 million in 1957.

HYDRAULICS AND CIVIL ENGINEERING

The French technique of civil engineering owes a great part of its success to the experimental research conducted in the hydraulics laboratories. The best known of these are perhaps the "Laboratoire Dauphinois" (Alps), the "Laboratoire National" at Chatou and the "Laboratoire Central" at Maisons-Alfort, near Paris, which are among the largest of their kind in the world. These laboratories specialize in studies and tests on experimental models or mock-ups. The first tests conducted on mock-ups date back to 1923. Since then, the technique has grown in use and is now applied to all problems raised by water. First, it is applied to the hydraulics of rivers and streams, whether it is a matter of harnessing their power (dam construction) or controlling it (flood control on the Saone-Rhone River system, for instance).

PROSPECTS OF FEDERATION IN THE MIDDLE EAST

By Haim Darin-Drabkin

How will a federative organization of Middle East nations be able to solve the area's chronic problems: the raising of the standard of living of the general population, agrarian reform, industrialization, the problem of Egypt's surplus population, the speeding up of development programs, social progress and changes in the social structure?

The experience of the development of relatively backward countries who have freed or are freeing themselves from the yoke of colonialism has shown that only a sovereign state is able to concentrate the necessary financial resources and to direct them into productive channels.

The establishment of a federative state, or some other form of regional unification capable of mobilizing all the potentialities of the region for the benefit of the nations of the area, will accelerate the solution of the region's problems. A Middle East Federation is not merely the sum total of all the nations in this area, but a new entity much more powerful than the sum of its parts.

The establishment of a central authority will make it possible to increase the incomes from oil by reducing the profits of the oil companies and correspondingly increasing the revenues accruing directly to the oil-producing countries. By a more efficient and constructive utilization of the region's oil revenues, the central authority will make it possible to use these large sums of additional capital for development projects in the non-oil producing countries, without reducing the revenues of the oil-producing countries themselves.

Middle East Federation will speed up the social evolution of the more backward countries, such as Saudi Arabia and Yemen, through the infiltration of progressive influences from Syria, Egypt and Lebanon. The mutual contact and influence between the nations of the region will facilitate the introduction of agrarian reforms. The concentration of capital in one political framework would speed up the execution of irrigation and industrial projects, and thus solve the problems of Egypt's surplus population and the settlement of Iraq's desert lands. It would ease the solution of the problem of the Palestinian refugees by enabling their resettlement and their employment in industrial enterprises in countries with large reserves of state land.

The reduction of defense budgets in the area would make it easier for Israel to speed up its industrial and agricultural development and to contribute her share towards the solution of the refugee problem by absorbing a number of refugees in Israel and by paying appropriate compensation to the remainder.

Countries possessing a higher level of technique and specialization could utilize their advantages for the benefit of the area. The forces of social progress in the more developed countries, such as Syria, Israel and Lebanon, would tend to raise the social and political standards in countries with traditions of dictatorship or oligarchy.

Obviously the transition from autonomous statehood to regional unity will involve the overcoming of many obstacles. The specific conditions in each country determine its attitude to regional federation.

Syria, Egypt and the majority of the population of Jordan are in favor of the immediate establishment of the political

union of all the countries of the Middle East, while Saudi Arabia, Yemen, Iraq and a considerable section of the population of Lebanon are opposed. In reality Syria, and not Egypt, is the center of the nationalist movement whose aim is regional union. Syria was the cradle of the Arab nationalist movement which was born within the framework of the Ottoman Empire. Since that time Syria has been the focus of the regional union movement. In the recent years the Socialist Renaissance Party "Ba'ath" which, under the leadership of Akram Hourani, constitutes one of the most important political groups in Syria, has made the achievement of regional federation one of its central aims. With affiliates in other Arab countries and an overall executive body, the structure of this party is adapted to this task.

The idea of political union is supported in Syria by commercial and industrial circles, workers and intellectuals. The traditional attitude in favor of union is strengthened by Syria's geopolitical location, on the borders of Turkey, Iraq, Israel and Lebanon. Regional union will end Syria's present state of isolation. In the past the aspirations towards regional union were prompted by opposition to the plan for the union of Syria with Iraq and Jordan (the "Fertile Crescent" project).

Egypt had for decades not participated in the regional Arab nationalist movement. She indeed fell within the boundaries of the Ottoman Empire, but enjoyed an autonomous development under British rule. Within the Arab League Egypt has maintained a balance of power through her opposition to the Iraqi Hashemite dynasty's ambitions in connection with the plan for the "Fertile Crescent." The present regime in Egypt, aspiring to institute changes in Egyptian society and faced with the problem of Egypt's surplus population, sees a possible solution in the program for regional federation—which will allow the utilization of part of the revenues of the oil-producing countries for this purpose. In addition, Middle East federation will strengthen Egypt's political position in the world, as its size assures it a prominent role in any such combination.

Jordan, a country without any sound economic foundation and existing almost entirely on foreign aid, is more interested in joining a Middle East federation than in continuing to exist as an independent nation. There is a sharp conflict between the majority of the population, which favors federal union, and the royal court and the sheikhs, who oppose it. The people of Jordan gave expression to these aspirations in the general elections held last year, in which the Socialist "Ba'ath" Party received 30% of the votes.

The circles close to King Hussein, supported by the sheikhs of Eastern Jordan, are opposed to federation because of their fear of losing their influence in Jordanian society. Their opposition is encouraged by foreign powers, who wish to maintain Jordan as their base in the future.

Lebanon, as a small country without any industry, which lives on trade, banking, remittances from emigrants and tourism, requires the possibility of development within a broader political framework. But the attitude towards the form of regional union is determined by the social structure of Lebanon, with its many minority groups and religious communities. The State exists on the basis of a permanent agreement between the various religious groups, which provides for equal rights for all religions and the maintenance of numerical and political balance between Moslems and Christians. The Moslem inhabitants and a section of the Christian population are in favor of political regional federation; but the Maronite (Christian) minority opposes this violently; out of fear of domination by the Moslem majority and possible injury to the rights of the Christian minority. The prevailing economic conditions, added to the balance of internal forces, has thus caused Lebanon as a state to be opposed to political federation, but no country was more active within the Arab League in pressing for broad economic union embracing all countries of the region.

Iraq has aspired to union with Syria and Jordan from the day of its establishment under the Hashemite dynasty. She

It is also employed extensively in the field of sea hydraulics, in the protection of the coastline and ports against the pounding action of the sea (construction or remodeling of the ports of Dieppe, Fécamp and Le Havre in France, Agadir, Dakar, Conakry and Pointe-Noire in Africa) as well as in harnessing the power developed by the sea, as it is now done in such installations as the plant on the Rance estuary in Brittany (this project was studied and tested on a mock-up 4,300 square feet large). A third field involving model and mock-up testing is the design of city water sewage systems, irrigation and drainage. Significant achievements were made in that field, which is closely related to the hydraulics of conduits and canals (North Africa).

(To be Concluded)

encourages the political forces in Syria and Jordan which favor the "Fertile Crescent" project. Britain, which operates air bases in Iraqi territory, supports Iraq's aspirations, which would strengthen her own position in the Middle East. The opposition of Egypt and Saudi Arabia, as well as other important political factors, has prevented the realization of this dream of Iraq's. On her part, Iraq is opposed to any form of regional federation which will increase Egypt's standing in the area. This Iraqi opposition defeated the attempts of other Arab countries to increase the strength and authority of the Arab League. The opposition of Iraq and of the colonial powers behind her constitutes the most serious obstacle to the realization of Middle East federation. Economically speaking, Iraq does not need federation. She has large revenues from her oil fields, extensive land reserves, and great development potential. She is prepared to use the surplus from her oil revenues to further federation under her leadership, but is unwilling to allow exploitation of her economic superiority in order to achieve a wider union under Egyptian domination.

The main Iraqi opposition to the plan for regional federation comes from the ruling circles of the King's court, the sheikhs and the large landowners. The peasants in general are indifferent. It is the intellectual circles who generally favor and actively support regional federation. Their struggle for federation is linked to their struggle against the dictatorial regime, against social reaction and colonialism, and in support of social reforms and progress.

Saudi Arabia and the principalities of the Persian Gulf countries, where feudalism and backwardness prevail and which enjoy huge oil revenues that are dissipated by their rulers, are interested in closing their boundaries against outside influences. Saudi Arabia has no interest in political union. The cooperation existing within the framework of the Arab League suffices for her. It allows her to receive teachers and instructors from Egypt, without binding herself to anything more far-reaching. The rulers of Saudi Arabia are not prepared to share their fabulous incomes with the inhabitants of their own country, and will certainly not agree to share them with other nations. The monopolistic oil companies and the governments behind them constitute powerful factors interested in maintaining the social backwardness of the oil-rich countries, in order to protect the concessions obtained by bribing the ruling classes. Thus in reality it is the colonial powers who represent the chief opposition to federation.

Yemen, like Saudi Arabia, is one of the most backward countries in the Arabian Peninsula. Seeking to protect herself from any foreign and progressive contacts, Yemen joined even the Arab League only after much hesitation. Her rulers' fear of social reforms which would be forced upon them as the result of the infiltration of modern democratic concepts places Yemen among the countries opposed to Middle East federation.

Israel occupies a special place in the question of Middle East federation. The nations of the area regard Israel as a foreign body which must be eliminated. Israel, on the other hand, regards herself as a besieged fortress compelled to be in a state of constant readiness against attack from her hostile neighbors. Without a *modus vivendi* between Israel and the other nations of the area, the Middle East will never attain independence and unity, and it will remain a prey to powerful outside forces. Israel's development and stability has proved that its existence must be accepted as a fact of Middle East politics, and it should be regarded as one of the partners in the future Middle East Federation.

* * *

Is there even a faint possibility that Israel will be allowed to participate in the proposed Middle East Federation? Paradoxically, it will be easier to reach a settlement between Israel and her Arab neighbors within the framework of regional union than to make peace between Israel and any one of the Arab states.

Israel is situated in the center of the region, and any effective regional plan without her participation is unfeasible. Hate, bitterness and war between neighboring countries are passing phenomena. Geography commands adjoining countries to live at peace. The relationships with distant or foreign powers are the result of the coincidence of mutual interests, and this too is a passing phenomenon. The countries of a

region must learn to turn to one another for economic aid and mutual assistance.

Israel, for her part, will realize that she is part of an area which is tending towards unification, and that this unity will be achieved sooner or later. For this reason a strong trend of Israeli opinion recognizes the need for Israel to build her future as an inseparable part of the region, and to struggle together with all progressive groups in the neighboring countries for the realization of Middle East federation.

Israel's agreement to join this federation would mark a radical change in her relations with her neighbors. By this step she will demonstrate her desire to free herself from dependence on outside factors, to become an integral part of the region in which she is found, to develop on the basis of cooperation and unity with other Middle East countries and to allow her territory, located strategically in the heart of the area, to be used for transport and communication projects vital to the whole area and to Israel in particular. This mutual agreement will facilitate the solution of the other problems in Israeli-Arab relations, which can only be solved within the framework of the proposed federation.

The tremendous differences between the social development of the region's countries, the distrust with which each country regards its neighbors and the fear of foreign domination do not permit the practical realization of federation in the immediate future. The crystallization of constructive forces in every Middle East country, and their mutual cooperation, will prepare the ground for the eventual federative state.

But until the establishment of the federative state, the countries of the Middle East cannot afford to rest content with the Arab League as the only basis for regional cooperation. The Arab League is in effect a regional council of sovereign states who have agreed to cooperate in certain fields. Their resolutions are effective to the degree that the Governments of the countries concerned approve and act upon them. Thus the decisions of the Arab League are recommendations rather than resolutions binding all member states.

Despite this inherent weakness in the constitution of the Arab League, which severely limited its work in the economic and social fields, the mere existence of a common regional framework representing a popular movement in all Arab countries has led to results whose importance should not be underestimated. First and foremost, the League was able to prevent the differences between its members breaking out into open warfare. It maintained the balance of power in the region, and obviated the creation of partial blocs which could have led to conflict. The League succeeded in uniting the countries concerned into a unified group, at least for purposes of diplomatic representation to the world at large. But despite the constitutional faults mentioned above, the Arab League would have achieved even more if foreign powers had not exploited the differences between its members and turned the Middle East into an arena of opposing ideologies.

In the present circumstances, in which over-all political federation cannot yet be achieved, and in which the Arab League is no longer adequate to the new and pressing tasks which lie ahead, two possibilities exist: 1) The achievement of political union between the states ready for this step, without taking into account the attitudes of the other states, and the activity of the enlarged political unit within the framework of the Arab League for the comprehensive political union of the area as a whole. 2) The gradual realization of the political union of the entire area by the establishment of a regional economic federation as the first and most immediate stage.

Syria and Egypt are working towards a joint political federation, in the hope that King Hussein's rule in Jordan will shortly collapse, to be replaced by a government whose supporters will demand that Jordan join the Egyptian-Syrian union. The federation established as the result of the union of these three countries could exert political and military pressure on the other states of the area, and would thus hasten the establishment of the Middle East Federation.

Outwardly, this solution seems the most logical possible. Is it reasonable to expect nations who are ready for federation to delay their plans indefinitely because of the refusal of other nations to acquiesce in their projects? But in reality the union of these three countries will not solve any of the area's burning problems.

This federation of three non-oil-producing countries, who wish to unite in order to exert pressure on the rich oil-producing countries, will not be able to solve the economic or social problems of any of the participating countries. The so-called "political" federation will in reality be a military bloc, which will eventually lead to larger sums of money being spent on arms by the other nations of the area. Those nations who consider themselves weak will be forced to seek outside assistance in order to guard their independence against the Egypt-Syria-Jordan bloc. This artificial federation of three countries whose geographical, cultural or social ties are no closer than those of other countries in the Middle East, will not bring the eventual Middle East Federation any nearer. On the contrary, it will aggravate the region's internal differences. Insofar as a natural and objective basis exists for union between any neighboring countries in the Middle East, the necessary conditions exist between Lebanon and Syria, and between Israel and Jordan, or between all these four countries, which constitute a geographical unit with complementary economic interests. But in the present political situation, in light of the Lebanese Maronite minority's suspicions of Moslem domination, and in view of the Arab-Israeli conflict, there is little hope for the realization of this partial union.

* * *

However, there is a real basis for a program for union which would include all the Middle East countries, while preserving each nation's sovereignty and independence. This would call for the establishment of a Higher Regional Authority which would coordinate the activities of the region's countries in the fields of economy, education and culture, health, scientific research and the supervision of armaments programs.

The efforts of the regional authority which will be directed to the mobilization of funds and a constructive endeavor to raise the standard of living of the populations of the countries in the Middle East, could lay the foundation of a political federation in the not-too-distant future. And as each country in the region came to feel the practical and positive effects and the increased pace of development following the establishment

of a regional economic federation of a regional economic federation, the divisive forces in the area will be weakened.

Despite the conflicts between oil-producing and oil-poor countries, it will be possible, through the formation of a unified economic regional authority, to establish a regional development fund based on the additional oil revenues of the oil-producing countries.

No possibility exists that Saudi Arabia and Iraq will agree to divide their income from oil with other countries. But there is reason to suppose that within the framework of regional economic union it should be possible to arrive at an agreement on the establishment of a regional development fund, based on the increased future oil revenues, which could be obtained by joint action by the oil-producing countries and the countries through whose territory the pipelines pass. The common struggle of the regional economic authority aimed at the reduction of the astronomical incomes of the monopolistic oil companies, in order to execute vital regional development projects, would win the sympathy of world public opinion. The oil companies will not agree lightly to the loss of their profits, and this is the principal reason why they are encouraging the forces opposed to Middle East federation.

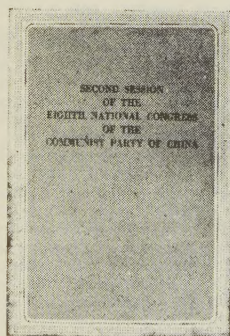
The establishment of a regional development fund will provide the foundation for economic union, whose function will be the creation of a common market by the abolition of customs between Middle East countries, the improvement of communications and, consequently, the stepping up of internal trade. Obviously this program too must take into account the economic interests of the various countries and safeguard branches of economy liable to be damaged by inadequate planning and preparation in the application of the common market.

The functions of the Regional Economic Authority would include the planning of development projects in the various countries, the encouragement of scientific research, the exploitation of natural resources, the increase of energy potential and the training of scientists and technicians.

The Authority's ability to hasten the economic and social development of the region will depend on the degree of political

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LITERATURE IN COMMUNIST CHINA

By Shau Wing Chan

(Professor of Chinese, Stanford University)

Perhaps one of the clearest evidences of the thoroughly totalitarian character of the Chinese Communist regime is to be found in its policies defining the role of literature and the arts in a society ruled by proletarian dictatorship. These policies were first enunciated by Mao Tse-tung at a forum on literature and art held in the former Communist capital of Yenan in May 1942, and they have been enforced without essential change since the 1949 establishment of Communist rule over mainland China, notwithstanding Mao's proclamation in 1956 of the much-publicized "hundred flowers" doctrine.

At the Yenan forum,¹ Mao laid down the party's basic stand in two addresses which, in 1943, were made required reading for all writers and artists belonging to the party, thus assuming the sanctity of official dogma. Following in Lenin's footsteps, he declared that literature and art must fill a strictly utilitarian role: they must belong to and serve a definite class, express a definite political line, and be subordinate to politics. More concretely, in a proletarian dictatorship, they must serve the "masses"—defined by Mao as embracing "workers, peasants, and soldiers"—and must become "a powerful weapon for uniting and educating the people and for crushing and destroying the enemy."²

The first prerequisite for the writer, then, is to assimilate the viewpoint of the proletariat. To do this, according to Mao, he must voluntarily "go to the masses", must observe and directly experience their conditions of daily life and their struggle for existence, and must then incorporate this experience in his creative work. He must also acquire a sound knowledge of a "living" Marxism-Leninism—that is, a Marxism directly applicable to the everyday life and struggle of the masses. Finally, he must supplement this doctrinal knowledge with an understanding of the individual conditions, mutual relationships, and psychology of the various classes of society, thus strengthening his capacity to expose the brutality and deception of the "enemy" of the masses and to help eliminate "backward" ideas.

The criteria elaborated by Mao for the judgment of literary works flowed, as a logical corollary, from his basic concept of literature as political weapon of the class struggle.

and military calm that will prevail. The elimination of tensions and the creation of conditions of political stability are in reality dependent not on the countries of the area alone but also on the foreign powers who are engaged in a struggle for control of the region. As long as the great powers do not reach an agreement on the status quo in the Middle East, they will seek countries or political groups to serve their interests, with resultant harm to the area as a whole.

A successful struggle on the part of the nations of the Middle East for the neutralization of the area and its insulation from the Great Power conflict would render a Great Power agreement more likely. This in turn would make it possible to transfer the authority for supervising the limitation of armed forces in the Middle East countries to the Higher Regional Authority. The reduction of armaments will permit capital resources to be directed into constructive channels.

The tension in the Middle East, which threatens to turn it into another pre-World War One Balkan region, is a potential danger to the peace of the entire region and to the world at large.

There are no real conflicts between the nations of the area, and no basis for the prevailing animosities. The peoples of the area are interested in a constructive effort to raise the standards of living, in peace and in regional unity. The entire region is in dire need of an immediate constructive change of direction. Cooperation between the progressive forces of the area can act as an antidote to the forces of reaction, conflict and division, and hasten the historic task of the nations of the region: the realization of a Middle East Federation based on the equality and cooperation of all the nations of the area, irrespective of religion or ethnic background, in order to foster its economic, social and cultural progress.

While not denying that esthetic values have a place in proletarian literature, Mao rejected the idea that artistic standards are "absolute and eternal" and affirmed that they must be based in part, on considerations of "social application." Thus, while the writer must strive to raise the artistic level of his work, he must do this within the limits set by the existing cultural level of the masses.

Furthermore, according to Mao, the "form" of literature—to which artistic standards apply—is secondary to its "content," which must be judged by political standards. A proletarian literature, he declared, must be a "revolutionary" literature; its content must be such as to promote the unity of the masses, encourage them to accomplish their tasks with one heart and one mind, and stimulate progress; and there can be no place in it for any writing that is "anti-national, anti-scientific, anti-masses, and anti-Communist in viewpoint."

Implementation of Literary Policy

Such, in brief outline, were the key ideas on literature and art set forth in Mao's Yenan lectures in 1942. Consequently, when the Communists completed their conquest of the mainland in 1949, they were already equipped with a literary policy which now needed to be implemented on a national scale, embracing the whole literary life of the country and all writers, Communist and non-Communist. Censorship and publishing controls afforded the party a direct means of barring from public print all literature regarded as falling in the categories outlawed by Mao. At the same time, an all-embracing organizational network was established to facilitate constant party surveillance, direction and control of literary activity. As early as July 1949, even before the installation of the "People's Republic," steps were taken to form the "All-China Federation of Literary and Art Circles," which later spawned a number of subdivisional organizations including the "All-China Association of Writers," the principal organization in literary field. The Writers' Association, in turn, organized its own local branches down to the district level, thus forming a gigantic structure under highly centralized party and state control.

One of the Chinese Communists' principal methodological weapons for re-educating non-party writers as well as for stifling deviationism on the part of Communist writers has been "ideological remodeling" through the dual processes of "criticism" and "self-criticism." Criticism involves the holding of group "struggle" meetings at which the participants point out one another's "wrong thinking" or ideological deficiencies. Self-criticism is a much more exacting process requiring a full written confession by the principal of past errors in his private life, his mental training and development, and his occupational activities. If his first confession is considered inadequate, he is obliged to repeat the process until he produces one that satisfies the party.

Communist writers had already been subjected to an intensive "ideological remodeling" campaign in the wake of Mao's Yenan lectures, but the first nationwide movement of this kind affecting non-party writers and other intellectuals was launched at Mao's direction in September 1951, two years after the establishment of the Communist regime. Though aimed particularly at college and university professors, it was extended to all intellectual groups and, by the end of 1951, had engulfed the literary profession.³ The party, using the All-China Federation of Literary and Art Circles as its instrument, virtually compelled all writers to engage in the study of Marxism-Leninism and the works of Stalin and Mao, and to remodel their ideological thinking through criticism and self-criticism. This vast "brain-washing" campaign continued during 1952 and was noticeably effective in pressuring the writers into submission to the party line.

The Chinese Communists have also used the more drastic weapon of the purge as a means of enforcing literary orthodoxy. Immediately after the 1942 Yenan forum, a purge campaign was set in motion against the veteran Communist writer, Wang Shih-wei, for writing some essays which painted

a dark picture of conditions in the Communist capital and exposed, in particular, the apathy, hypocrisy, and privileged life of the higher level party cadres. For this offense against "socialist realism," Wang was publicly condemned by the party as a Trotskyite and a violator of Mao's precepts on the subordination of literature to politics. He was spared from further punishment, but the disgrace was enough to blight his literary career.

The party, in 1948, took similar but much more severe action against another leftist writer, Hsiao Chun, then editor of a cultural newspaper in Communist-occupied Manchuria. Hsiao dared to print articles critical of Soviet behavior in Manchuria and deploring the violence of the Communist land reform program, for which he was found guilty of harboring a bourgeois viewpoint of "egoistic individualism" and sentenced to a three-year period of "reform through labor" in the Fushun coal mines.⁶

Literary Purges of 1954-55

These early disciplinary actions were but a foretaste of the series of larger and more carefully organized literary purge campaigns staged in Communist China during 1954-55. The first of the campaigns, launched in the latter part of 1954, was directed against Yu Ping-po, a distinguished non-Communist scholar of Chinese literature, using as a pretext certain articles Yu had written for Communist publications commenting on the 18th-century novel, *Dream of the Red Chamber*, from the standpoint of the new ideology of "People's China." Though he had expressed the same ideas in a 1952 article without any unfavourable reaction from the party, Yu was now violently attacked in the Communist press as an ally of the "capitalist viewpoint" of the "Hu Shih clique." The campaign terminated only when Yu, after protracted hearings staged by the Federation of Literary and Art Circles and the Association of Writers, "voluntarily" admitted his ideological errors and promised to reform.⁸

Before it ended in December 1954, the campaign against Yu touched off another party-instigated drive, this time aimed at Feng Hsueh-feng, Communist vice-chairman of the Association of Writers and chief editor of *Wen-i Pao* (Literary and Art Gazette), the organ of the Federation of Literary and Art Circles. Feng had committed the blunder of praising Yu's 1952 commentary on the *Dream of the Red Chamber* and had further compromised himself in September 1954 by appending a rather slighting editorial note to an article by two young party writers criticizing Yu's ideological approach. The result was an attack on Feng in the official party organ, *Jen-min jih-pao* (October 28, 1954), which gave the signal for a merciless campaign of denunciation. Though found guilty on numerous counts, including revolt against the principles of Marxism-Leninism, disobedience to party orders, and dictatorial conduct as chief editor of *Wen-i Pao*, Feng—after repenting—was dealt with leniently, merely losing his post as chief editor in a general reorganization of the *Wen-i Pao* staff.⁷

The literary purges reached their culmination in the campaign against Hu Feng, which continued throughout the first half of 1955.⁹ A leftist writer of considerable reputation, Hu had been friendly toward the Communists since the mid-1930's and, after the establishment of the new regime, had been given a minor post in the Federation of Literary and Art Circles. He and a few supporters, however, soon were at odds with the party's attempts to dominate all literary activity. During the "ideological remodeling" drive of 1951-52, a preliminary attack had been levelled at him in the party press, but the all-out purge campaign began in December 1954 as a direct result of Hu's courageous criticisms of the party's cultural leaders and policies during the hearings against Yu Ping-po and Feng Hsueh-feng. The party leaders, long jealous of Hu's influence in leftist literary circles, quickly seized the opportunity to destroy him. Concerted denunciations of Hu and his "clique" flooded the major party newspapers and periodicals for six months.¹⁰ Finally, the accused were found guilty of "bourgeois idealism," of disseminating "reactionary" literary theories under a cloak of Marxism-Leninism, "slandering and repudiating" the cultural policies of the Communist Party, and falsely pretending for twenty years to support the party and the revolution. In this case, however, the penalty was extreme, for Hu's arrest and impending trial as a "counter-

revolutionary" were announced at the National People's Congress in July 1955.¹⁰ Though the trial outcome was not revealed, it appears certain that he suffered the death sentence.

The New Literature

Thus, while the leaders of Communist China have departed in other significant respects from Soviet theory and practice, they have closely followed the example of the Soviet "Big Brother" in their treatment of literature and the arts. They seek to make these the servants of politics and to force writers and artists, by organizational controls and ideological pressure, to become mere propaganda instruments of the state. What sort of literature, then, has "socialist realism" produced in Communist China? Its "politicized" nature emerges most clearly, perhaps, when one examines some of the dominant themes of the new literature, as exemplified in various representative works.

One of the regime's foremost tasks after it won ruling power was to make the peasantry more class conscious in order to promote the class struggle in rural China. Condemnation of the old landlords consequently became a major theme for popular plays, poetry, and novels, in which the landlords were universally pictured as diabolically wicked, devoid of all human feeling, and seeking only to exploit the downtrodden peasant tillers of their land. The writers sought to exaggerate the social incompatibility between the landowners and peasants, and hailed the Communists as the deliverers of the peasants from exploitation.

A characteristic treatment of this theme is found in the widely acclaimed play *Pai-mao-nu* (The White-haired Woman), the composite work of several authors, which won a Stalin Prize in 1951.¹¹ The heroine, a young peasant girl named Yang Hsi-erh, is seduced and debauched by an evil landlord, whose cruel exploitation has already driven her father to suicide. She manages to escape and takes up her abode in a hidden cave where she gives birth to the landlord's child. Her once beautiful black hair turned white by suffering, she keeps herself and her child alive by stealing back to her village at night and taking the food offerings left on the altar of the local temple. The villagers glimpse but do not recognize her; they refer to her with awe as "the white-haired fairy" and keep on leaving food for her. At last the Communists, who have come to the village, unravel the mystery and call the peasants together to stage a mass trial of the landlord, Huang, who is duly punished for his crimes. At the trial the local party leader proclaims:

The old society forced human beings to live as ghosts,
But the new society has transformed ghosts into human beings,
And brought salvation to many of our good, long-suffering sisters.

The play ends as all the players triumphantly sing:
Huang-Shih-jen, at last your head is bowed and you are trembling!

Your feudalism of a thousand years has been uprooted;
Your ten thousand year-old chains are smashed to pieces.
We who have long suffered begin a new life today.

The same theme has often been treated in another popular literary form, the narrative poem. Typical of this genre is Li Chi's *Wang Kuei yu Li Hsiang-hsiang* (Wang Kuei and Li Hsiang-hsiang), which relates the persecution of a young peasant and his betrothed by a venal landlord.¹² The landlord, desiring to make the girl his concubine, plots the murder of the young peasant, but the Communists come in time to save the couple and liberate them from the oppression of the landlord, whose lands are confiscated and parceled out to the poor peasants of the village. Other examples, varying only in details of plot, are found in Chao Shu-li's *Li Yu-ts'ai pan-hua* (Rhymes of Li Yu-ts'ai) and Kan-ch'e chuan (Story of a Cart Driver) by T'ien Chien.¹³ T'ien's poem ends on the usual note of jubilation after the Communists have put a stop to the tyranny and exactions of a rapacious landlord, who among other things has brutally forced a young peasant girl, Lan-ni, into marriage. Rescued from her unhappy state, she rejoices:

I am thankful to Chairman Mao, I am thankful to everyone
For saving me, Lan-ni, so that I can live again as human being . . .

Now that I no longer live in a feudal world, I want to go to school again.
To work in the fields, and to lead the life of a girl.

Land Reform and Nationalist Evils

The picturization of the landlords as a ruthless and wicked exploiting class was an essential part of the whole land reform struggle, which dominated the first two years of the Communist regime. The struggle itself has been the theme of a number of works by Communist authors, many of whom were virtually required to go into the rural areas and take an active part in local land reform campaigns so that they might depict them according to the principles of "socialist realism." These works picture the struggle in all its stages, starting from the preparatory work of the party cadres in organizing the peasants and stirring up their enthusiasm, and reaching its climax in a grand "victory" celebration after the landlords have been sentenced in mass public trials and their lands and property redistributed among the landless peasants.

The writers invariably seek to stress the indispensable guiding role of the party at the same time that they paint the struggle as a spontaneous movement emanating from and actuated by the peasants themselves. Among the best known works on the land reform theme is the 1951 Stalin Prize-winning novel *T'ai-yang chao tsai sang-kan ho shang* (The Sun Shines Over the Sangkan River),¹⁴ by the veteran Communist authoress Chiang Ping-chih (better known as Ting Ling), who now is in disgrace as the alleged leader of an "anti-party" group of writers. Another is Chou Li-po's novel *Pao-feng tsou-yu* (The Hurricane), written — by the author's own admission — expressly to extol the "great leadership" of the party in the land reform struggle and to encourage the "revolutionary masses" throughout the country.¹⁵

The wicked lawlessness of the old landlord class is but one of the "evils" of the Nationalist regime which Chinese Communist writers have been encouraged to contrast against the "happier" conditions of the new "People's China." A different sort of evil furnishes the theme of an earlier Communist literary work, the play *Hsieh-lei ch'ou* (Bloody Tear Vengeance) by Ma Chien-ling.¹⁶ This tells the story of an unfortunate peasant who decides to flee from Nationalist oppression after his son is dragged into military service. While he and his family are making their way toward the Communist-held areas, Nationalist soldiers rape and kill the daughter-in-law, and the peasant's own wife commits suicide from grief and despair. The peasant and his young grandson alone survive to reach a Communist village, where they are warmly welcomed and helped to begin a new life. The son then turns up in the Communist area as a Nationalist Army secret agent ordered to poison the drinking wells and commit other acts of sabotage. One of his assignments nearly causes him to kill his own father, whom he recognizes only in the nick of time and from whom he learns of the fate of his mother and wife. Swearing vengeance, he returns to his army unit which soon prepares to launch a surprise attack against the Communists. Ordered to guide the Nationalist force into Communist territory, the young man manages to kill the commander before the attack and then persuades his comrades to surrender to the Communists. Exhorting them to seize the opportunity to end their forced servitude to the Kuomintang, he declares:

Brothers, I have just returned from the border areas. The soldiers of the Communist Eighth Route Army are the best of people. All the refugees who have fled to the border areas have food and clothing. . . . Brothers, what are we doing now? Have we no conscience left? The Kuomintang has duped us, so that we are no longer like human beings.

The young man's eloquence prevails, and the Nationalist soldiers go over to the Communists who magnanimously accept their confessions of past mistakes and welcome them as comrades.

All for the Masses

It is, of course, *de rigueur* for contemporary Chinese authors to contrast the greedy self-interest, dishonesty, and disregard for the public welfare of the old Nationalist officialdom with the supposed selfless sincerity, honesty and public-

mindedness of their Communist successors. The veteran writer Shu Ch'ing-ch'un (better known as Lao She), who won international renown for his 1927 novel *Rickshaw Boy*, has treated this theme in a play entitled *Lung-hsu kou* (Dragon-beard Ditch).¹⁷ The setting of the play is a slum district in the outer city of Peking. Through it runs a foul-smelling ditch, which, despite the forcible collection of "health improvement" taxes from the poverty-stricken inhabitants, has been allowed by the Nationalist authorities to accumulate such filth that it becomes a public health menace. Then comes the advent of the "democratic" Communist regime, which promptly takes steps to clean up the ditch and cover it over with a modern paved road. As the play ends, the inhabitants are preparing to celebrate this gala event by a public demonstration, and one participant joyfully voices his gratitude to the new regime:

Our good government loves us poor people
And enables us to live a new and wholesome life;
It has improved the ditch and built a new paved road,
So that we may walk erect, with a proud stride.
We, the laboring masses, will forge ahead with a single mind,
Striving to put forth an even greater united effort
So that our country will prosper and our people will live in peace.

It is not surprising that pure love stories have all but vanished from the new "people's literature" of Communist China just as they did from Soviet literature. To be sure, the principles of socialist realism do not bar the novelist or poet from treating of love, but they do require that the love motif be merely incidental to a theme which is socially or politically useful from the Communist standpoint. It was, for example, considered not only useful but essential from the standpoint of remolding Chinese society to break down the traditionally authoritarian family system, which stood in the way of the regime's goals; and since one of the foundations of this system was the custom of "arranged marriages," the proscription of this "feudal" practice was among the Communists' first acts.

Writers were consequently encouraged to turn out works condemning the old system and championing the right of young people to love and marry whom they will, free of parental interference. Chao Shu-li's short story *Hsiao Erh-hei chieh-chun* (The Marriage of Hsiao Ehr-hei) is representative of this type of "love story" with a dominant social purpose.¹⁸ Its principals are a young peasant boy and girl, whose wish to marry is hindered by their parents' insistence upon other marriage partners. The despairing couple take their problem to the Communist authorities, who sternly admonish the parents for their "pig-headedness" and warn them that they can no longer oppose their children's marriage under the new party-decreed marriage law.

Of course, Chinese Communist literature also has its epics glorifying supreme loyalty to the party. One of these is the "musical" play *Liu Hu-lan*, chiefly the work of Wei Feng and Liu Lien-ch'ih.¹⁹ The play harks back to the period of Communist-Nationalist hostilities and takes its title from the name of its heroine, a teen-age girl Communist. When the Nationalist troops attack her village, she aids the Communist defenders but is taken prisoner and subjected to torture by her captors in an attempt to extract information concerning the Communist forces. She steadfastly refuses even when forced to choose between betrayal of her comrades and decapitation, and goes courageously to her death shouting, "Long live the Communist Party! Long live Chairman Mao!" In the end the Communists, thanks to Liu Hu-lan's act of self-sacrifice, crush the Nationalist troops and retake the village.

Praise of the Soviet Union also is an ubiquitous note not merely in the political writings of the press but in every form of contemporary Chinese literature. Characters in novels are constantly lauding the Soviet example, like the captain of a Communist land reform team in Chou Li-po's *The Hurricane*, who declares, "We'll use horses and then machines to cultivate our land as they do in our Big Brother country, the Soviet Union." Others have been "inspired" to sing their praises in verse form, prominent among them being the present chairman of the Federation of Literary and Art Circles (and former Vice Premier), Kuo Mo-jo, who composed this "poetic" ex-

hortation to the workers of Communist China:

The Soviet Union, Big Brother No. 1, is good beyond compare;

Our own China, Big Brother No. 2, must imitate him without fail.²⁰

The Stagnation of Literature

In the light of this cross-section of Chinese Communist literature, it is evident that the fruit of the rigid application of Mao's Yenan policies has been a body of writing that is generally drab and colorless in its uniformity, lacking in creative imagination and individuality, and marred by a constant preoccupation with ideological themes. Another apparent consequence was a decline in literary activity after 1949, for in December 1951 Hu Ch'iao-mu, deputy chief of the Propaganda Department of the CPC Central Committee, complained of the paucity and poor quality of literary production, blaming this not on the impact of party controls, but on neglect of Mao's teachings, laxity of effort, and persistent "bourgeois" tendencies among the writers.²¹ Chou Yang, also speaking for the party cultural leadership, echoed Hu's complaint and called for greater ideological regimentation and party guidance of the literary profession.²²

The subsequent "ideological remodeling" campaign and the 1954-55 purges of literary figures, however, still failed to stir the writers out of their lethargy. In the spring of 1956, fresh complaints appeared in party organs to the effect that literary work was not keeping pace with the "tempo of socialist transformation,"²³ and that many writers, instead of showing progress, were not even maintaining their past levels of achievement.²⁴

In view of these admissions, it seems reasonable to construe Mao's enunciation of the much-publicized slogan, "Let the hundred flowers bloom, and diverse schools of thought contend," as signifying belated recognition of the stifling effects of the regime's hitherto rigid cultural controls, and as a gesture of conciliation and relaxation designed to overcome the lack of enthusiasm among Chinese writers and intellectuals. Mao's original formulation of the "new policy" (at a Supreme State Conference on May 2, 1956) was not made public, but soon thereafter various cultural spokesmen for the regime began explaining it in a series of published statements.

In the first of these statements, Lu Ting-yi, chief of the Propaganda Department of the Central Committee, declared that the "hundred flowers" policy was intended to mobilize "all active elements to give their best to enrich Chinese literature and art."²⁵ Toward this end, the party meant to encourage "freedom of independent thinking . . . freedom of debate, freedom of creative work . . . and to criticize, freedom to express one's opinion, and freedom to adhere to or reserve one's opinion." In another surprising passage, Lu made what sounded like a flat repudiation of the hallowed precepts of "socialist realism" governing the choice of literary themes:

The themes of literature and art should be very broad. The subjects of literary and art works may include not only contemporary and historical things, but also fairies and talking animals which are non-existent in the world. . . . Consequently, the laying down of puritanical rules in regard to subject matter would only lead to the suffocation of literary and art work and the emergence of formalism and lowly taste. It can bring no benefit, but only harm.

Other passages of Lu's speech, however, virtually cancelled out these hopeful indications of a real change in policy. The "freedoms" he had enumerated were to be enjoyed only by the people and not by "counterrevolutionaries"—which means, in fact, that anyone exercising his supposed freedom to criticize to an extent considered inimical to the party can promptly be transferred from the first to the second category. Further, Lu reaffirmed that literature and art are weapons of the class struggle, that idealism, subjectivism, and individualism must remain targets of attack, and that Marxism-Leninism represents the "highest form of human wisdom" and "the truth fit for application anywhere in the world." Finally, he qualified his promise of greater leeway in choice of themes by declaring that writers still will be expected to "sing the praises of the new society and of positive characters as a matter of course".

In view of the ambivalence of the official explanations, it

was not surprising that the "hundred flowers" policy brought forth no significant response from the writers in the direction of exercising their supposed new freedoms. The situation thus continued unchanged until the launching, in May 1957, of the CPC's first major *cheng-feng* (rectification, movement to be held since that carried out at Yenan in 1942).

Shortlived Flowers

When the party leaders announced the impending rectification drive at the end of April, they deferred to the new spirit of the "hundred flowers" policy in inviting all "democratic" groups and organizations to join with the Communists in frank and open criticism of deficiencies in the party's working methods, particularly the three "evils" of "bureaucratism, sectarianism, and subjectivism". The announcement gave assurances that the method of "large 'struggle' meetings" would be avoided, and that the movement would be carried out "as gently as a breeze or a fine rain".²⁶

Despite these pledges, barely a month had passed before the movement to cleanse the party suddenly became, instead, one to crush the party's critics. Signalling the change, an editorial in the central party organ, *Jen-min jih-jao* (June 8, 1957) charged that "certain people" had taken advantage of the rectification movement to launch a "bourgeois rightist" conspiracy aiming at the overthrow of Communist Party leadership and the "great cause of socialism". The ensuing months saw the unfolding of a vast and spectacular "anti-rightist" campaign extending into every area of activity and including among its victims not only leaders of the fellow-traveling "democratic" political parties, but also university professors, newspaper editors, literary figures, and businessmen. Those who had responded to the party's invitation to criticize its shortcomings were accused of conducting "anti-party" activities designed to undermine the "democratic foundations of the state", of willfully opposing Marxism-Leninism, neglecting to serve the people, and reviving "bourgeois capitalistic" trends of thought.

Though difficult to pin down exactly, the number of casualties among the writers was considerable and included some prominent names in Chinese Communist literature. Between June and mid-September, the Association of Writers held 27 anti-rightist "struggle" meetings, singling out as its central targets of attack Ting Ling and Ch'en Chi-hsia (formerly on the editorial staff of *Wen-i Pao*), who were alleged to be the ring-leaders of "anti-party" activities among the writers. Feng Hsueh-feng, who already had figured as one of the principals in the 1954-55 literary purges, and the poet Ai Ch'ing were among the other well-known Communist writers accused of complicity in the conspiracy.²⁷

The voluminous testimony put forward during the "struggle" meetings against the "Ting-Ch'en clique" produced conspicuously little concrete proof of the "anti-party" activity and "bourgeois individualist ideology" of which the principals were accused. It was typical of the flimsiness of the evidence that Ting Ling's accusers were obliged to hark back to an article she had published in Yenan in 1942 as "proof" of her deviation from orthodoxy; and the same was true in the case of Feng Hsueh-feng. Nevertheless, with the example of Hu Feng's unhappy fate in mind, most of the accused writers, including Ai Ch'ing, Ch'en Chi-hsia, and Feng Hsueh-feng, yielded to the concerted pressure, confessed their "guilt", and promised to reform. There has as yet been no indication whether or how the condemned writers will be punished.

Whatever the outcome, the developments of the "anti-rightist" campaign have stamped out any illusions that Mao's "hundred flowers" policy means, or was ever intended to mean, a real "thaw" of the Chinese Communists' controls over literature and intellectual activity in general. Indeed, Lu Ting-yi, speaking before the Association of Writers at its September 16-17 sessions winding up the "anti-rightist" hearings, reaffirmed Mao's literary doctrines of 1942 in these unequivocal words:

It has always been the policy of the party that politics should lead literature and the arts, that literature and the arts should be led by the party and should serve the masses of workers, peasants and soldiers. Therefore, literary and art workers should learn Marxism and be closely united with the workers, peasants, and soldiers.

PAPER MONEY IN MODERN CHINA (1900—1956)

REGULATIONS PERTAINING TO THE ISSUE OF BANKNOTES IN CHINA

By E. Kann

PART XXXVII

REGULATIONS GOVERNING THE ISSUE OF GOLD YUAN NOTES

(Promulgated By Presidential Decree On August 19, 1948)

Article 1. As from date of promulgation of these Regulations, the standard currency of the Republic of China shall be the Gold Yuan (Dollar). Each Yuan shall have a legal content of 0.22217 grams of pure gold. The Central Bank of China shall issue Gold Yuan notes which shall be

... We regard revolutionary literary and art work as an indispensable part of the revolutionary enterprise as a whole. But from Wang Shih-wei to Hu Feng, Feng Haueh-feng, Ting Ling, Chiang Feng and others, all [the "rightists"] have advocated the supremacy of literature and the arts and thought that politics should be made secondary to them ... or that literature and the arts should be an independent kingdom by themselves. ... That is an anti-party, anti-people, anti-socialist line of literature and the arts.²⁸

But even as Lu reaffirmed the old policies, he made an unwitting, yet significant admission of their long-range ineffectiveness. "It is inevitable," he said, "that part of the intellectuals brought up in a socialist society will degenerate into intellectuals with bourgeois ideology." Indeed, if veteran Communists like Ting Ling have rebelled against rigid party controls, it is obvious that these controls are gradually alienating all Chinese writers and intellectuals, and that Communist China is courting an eventual crisis which no Marx, Lenin or Mao Tse-tung can help her avert.

NOTES

- The Yenan forum was convened as part of the CPC's first *cheng-feng* (rectification) movement. For a discussion of the movement and English translations of some of the source documents, see C. Brandt, B. Schwartz.
- J. K. Fairbank, *A Documentary History of Chinese Communism*, Harvard University Press, 1952, no. 372-419.
- For translated extracts from Mao's two addresses, see *ibid.*, pp. 408-19.
- For materials on this movement, see *Current Background*, published by U.S. Consulate General, Hong Kong, Nos. 169, 182, 213.
- Yang I-fan, *The Case of Hu Feng*, Union Research Institute, Hong Kong, 1956, pp. 1-5.
- Ibid.*, pp. 5-10.
- For details, see *Current Background*, Nos. 315, 355, Chao Ts'ung, "Yu Ping-po and the Dream of the Red Chamber," *Tzu-kuo chou-k'an* (China Weekly), Hong Kong, No. 103, December 1954, no. 9-13.
- For details, see Chao Chung, "The Communist Programme for Literature and Art in China," Union Research Institute, Hong Kong, 1955, pp. 8-25; Yang, *op. cit.*, pp. 15-20; also, a partial record of the hearings against Feng, published in *Wen-I Pao*, No. 22, 1954, pp. 3-22.
- General reference are: *Current Background*, No. 350; Chao, *op. cit.*, pp. 85-91; Yang, *op. cit.*, pp. 20-169.
- These criticisms were collected and republished in five volumes by the Writers Publishing Society, Peiping, in 1955, under the title (translated), *Collected Critical Essays on Hu Feng's Ideas on Literature*.
- Speech by Shen Yen-ping, July 23, 1955. Cf. *Current Background*, No. 350, pp. 1-2.
- The principal writers were Ho Ching-chih and T'ing I. People's Literature, Peiping, 1952.
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- Cited work by Chao Shu-li was published in English in a collection entitled, *Rhymes of Li Yu-t'ai and Other Stories*, Foreign Languages Press, Peiping, 1954. T'ien Chien's poem published by New China Bookstore, Shanghai, 1947.
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- Cf. Liu Shou-sung, *A Draft History of China's New Literature* (translated title), Peiping, 1956, Vol. II, p. 253.
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- Ibid.*, pp. 10-13.
- Shu Ch'ing-ch'uan, writing in *Chung-kuo ch'ing-nien* (China Youth), No. 5, March 1956.
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- Lu's speech was made late in May and published in *Jen-min jih-pao*, June 13, 1957. English translation in *Current Background*, No. 406, August 15, 1956.
- New China News Agency report, April 30, 1957.
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- Survey of China Mainland Press*, No. 1629.

circulated at full face value.

Article 2. The subsidiary currency units of the Gold Yuan shall be the *chiao* (10 cents) and the *fen* (cent), with 10 *fen* making 1 *chiao* and 10 *chiao* making 1 yuan.

Article 3. The Gold Yuan notes should be issued in five denominations: namely, 1 Yuan, 5 Yuan, 10 Yuan, 50 Yuan and 100 Yuan.

Article 4. The Gold Yuan subsidiary currency shall consist of five denominations: namely, 1 *fen*, 5 *fen*, 1 *chiao*, 2 *chiao* and 5 *chiao* (1, 5, 10, 20 and 50 cents), and shall consist of coins minted from copper, nickel or silver. The Central Bank of China shall also issue Gold Yuan subsidiary notes for circulation simultaneously.

Article 5. From the date of promulgation of these Regulations, the issuance of *fapi* (Chinese National Currency) and the North East Circulation Notes shall be suspended. *Fapi* already in circulation shall be converted into Gold Yuan at the rate of CN\$3,000,000 to 1 Gold Yuan; and the North East Circulation Notes at NE\$300,000 to 1 Gold Yuan. The old currencies shall be converted into Gold Yuan notes without limitation as to amount before November 20, 1948. During the period of conversion, the *fapi* and the North East Circulation Notes may continue to circulate at the aforesaid rates of conversion.

Measures for the disposal of Taiwan and Sinkiang Currency Notes shall be drawn up separately by the Executive Yuan.

Article 6. From the date of promulgation of these Regulations, all public and private accounting shall be kept on the basis of the Gold Yuan. All legally required registrations containing statements of currency values shall be re-registered within six months of the promulgation of these Regulations.

Article 7. From the date of promulgation of these Regulations, all public and private debt obligations in terms of *fapi* or North East Circulation Notes shall be computed and settled at the conversion rates stipulated in Article 5 of these Regulations. Government Bonds in *fapi* which have not yet been liquidated in full shall be dealt with in accordance with measures to be drawn up separately by the Executive Yuan. With the exception of the 1947 United States Currency Bonds, which shall be liquidated in accordance with the original provisions laid down at the time of their issue, the 1938 Gold Bonds, 1940 Reconstruction Gold Bonds, 1942 Allied Victory U.S. Gold Bonds and 1947 Short Term U.S. Currency Treasury Notes, shall be converted into Gold Yuan Bonds at official rates.

Article 8. The issue of Gold Yuan notes shall be backed by 100 percent reserve. This reserve shall be composed of: a minimum of 40% in gold and silver specie and foreign exchange, and the remainder in negotiable securities and the assets of government operated enterprises designated by the government.

Article 9. The total issue of Gold Yuan notes shall be limited to 2,000,000,000 Yuan.

Article 10. A Gold Yuan Notes Issue Reserve Supervisory Commission shall be appointed for the inspection and custody of such reserve. The organic rules of the commission shall be drawn up by the Executive Yuan.

Article 11. Gold Yuan Notes must be counter-signed by the Governor of the Central Bank and the Director of the Issue Department of the Bank before they are put into circulation.

Article 12. The Central Bank shall prepare monthly statements of the total issue of Gold Yuan notes for submission to the Ministry of Finance and the Reserve Supervisory Commission.

Article 13. At the end of each month, the Reserve Supervisory Commission shall conduct an examination of the amount of Gold Yuan notes issued by the Central Bank and the conditions of their reserve. It shall prepare a report of

the examination to be published and submitted simultaneously to the Executive Yuan, copies of the report to be sent to the Ministry of Finance and the Central Bank.

Article 14. If and when the Reserve Supervisory Commission discovers that the reserve backing the Gold Yuan note issue is insufficient, or the reserve in gold, silver and foreign exchange to be below the percentage stipulated in Section 2 of Article 8 above, it shall immediately notify the Central Bank to suspend further issue and to withdraw the amount of notes in excess of reserve, and at the same time report separately to the Executive Yuan and the Ministry of Finance.

Article 15. On receipt of the notification referred to in the preceding article, the Central Bank shall immediately withdraw the over-issued amount of Gold Yuan notes or make good the deficiency in the reserve. No further issue shall be made by the Central Bank without the examination and concurrence of the Reserve Supervisory Commission.

Article 16. The Gold Yuan notes shall not be counterfeited, defaced or intentionally destroyed or damaged. The violation of this provision shall lead to prosecution under the Regulations Governing Punishment of Damage to the National Currency.

Article 17. These Regulations shall come into force from the date of promulgation.

REVISED REGULATIONS GOVERNING THE ISSUANCE OF GOLD YUAN NOTES

(Promulgated by Presidential Decree on November 11, 1948)

Article 1. The standard currency of the Republic of China shall be the Gold Yuan. Each yuan shall have a legal content of 4.4434 milligrams of pure gold to be minted by the Government for issuance through the Central Bank of China.

Article 2. The subsidiary currency units of the Gold Yuan shall be the *chiao* (10 cents) and the *fen* (1 cent) with 10 *fen* making 1 *chiao* and 10 *chiao* making 1 yuan.

Article 3. The Gold Yuan currency units shall be issued in five denominations: namely, 1 yuan, 5 yuan, 10 yuan, 50 yuan and 100 yuan, and shall consist of coins minted from gold or silver. The Central Bank of China shall also issue Gold Yuan notes for circulation simultaneously.

Article 4. The subsidiary currency units of the Gold Yuan shall be issued in four denominations: namely, 5 *fen*, 1 *chiao*, 2 *chiao*, 5 *chiao* (5, 10, 20, 50 cents), and shall consist of coins minted from copper or nickel. The Central Bank of China shall also issue Gold Yuan subsidiary notes for circulation simultaneously.

Article 5. As from the date of issuance of the Gold Yuan notes, the issuance of *fapi* (Chinese National Currency) notes and North East Circulation notes shall be suspended. *Fapi* already in circulation shall be converted at the rate of CNC\$3,000,000 to 1 Gold Yuan, and North East Circulation notes at NEC\$300,000 to 1 Gold Yuan. No limit is placed on the amount of the old currency to be converted into Gold Yuan. Such conversion shall be completed by November 20, 1948. During the period of conversion, the *fapi* and the North East Circulation notes may continue to circulate at the aforesaid rates of conversion.

Measures for the disposal of Taiwan and Sinkiang currency notes shall be drawn up separately by the Executive Yuan.

Article 6. From the date of issuance of the Gold Yuan notes, all public and private accounting shall be kept on the basis of the Gold Yuan. All legally required registrations containing statements of currency values shall be re-registered within six months following the issuance of Gold Yuan notes.

Article 7. As from the date of issuance of the Gold Yuan notes, all public and private debt obligations in terms of *fapi* or North East Circulation notes shall be computed and settled at the conversion rates stipulated in Article 5 of these Regulations. Government Bonds in *fapi* which have not yet been liquidated in full shall be dealt with in accordance with measures to be drawn up separately by the Executive Yuan. With the exception of the 1947 United States Currency Bonds, which shall be liquidated in accordance with the original provisions laid down at the time of their issue, the 1938 Gold Bonds, 1940 Reconstruction Gold Bonds, 1942 Allied Victory U.S. Gold Bonds and 1947 Short Term U.S. currency Treasury Notes, shall be converted into Gold Yuan Bonds at official rates.

Article 8. The issue of Gold Yuan notes shall be backed by 100 percent reserve, which shall be composed of 40% of gold, silver and foreign exchange, and 60% in negotiable securities and the assets of government operated enterprises designated by the government.

Article 9. Holders of gold, silver, silver coins and foreign exchange may have them converted into Gold Yuan coins or Gold Yuan notes according to stipulated rates. The aforesaid rates shall be determined separately.

Article 10. Holders of Gold Yuan coins or Gold Yuan notes may buy foreign exchange according to Government regulations governing foreign exchange. That part of the aforesaid foreign exchange regulations dealing with export and import trade shall be prescribed in accordance with the export and import link system.

Article 11. Persons depositing Gold Yuan notes in banks designated by the Central Bank of China, besides receiving regular interest at the end of one year, may at the time of making deposit, exchange an equivalent amount of Gold Yuan notes for Gold Yuan coins. Pending the minting of Gold Yuan coins, they may change them for gold or silver dollars at the stipulated rate of exchange. The Central Bank of China shall, within ten days following the promulgation of these regulations, announce the names of banks designated to accept such deposits and also the date when the exchange of Gold Yuan notes for gold and silver may commence.

Article 12. The total issue of Gold Yuan notes shall be determined by a separate Government order.

Article 13. A Gold Yuan Note Issue Reserve Supervisory Commission shall be appointed for the inspection and custody of such reserve. The organic rules of the Commission shall be drawn up by the Executive Yuan.

Article 14. Gold Yuan notes must be counter-signed by the Governor of the Central Bank of China and the Director of the Issue Department of the Bank before they are put into circulation.

Article 15. The Central Bank of China shall prepare monthly statements of the total issue of Gold Yuan notes for submission to the Ministry of Finance and the Gold Yuan Note Issue Reserve Supervisory Commission.

Article 16. At the end of each month, the Gold Yuan Note Issue Reserve Supervisory Commission shall conduct an examination of the amount of Gold Yuan notes issued by the Central Bank of China and the conditions of their reserve. It shall prepare a report of the examination for submission to the Executive Yuan, sending copies to the Ministry of Finance and the Central Bank of China.

Article 17. If and when the Gold Yuan Note Issue Reserve Supervisory Commission discovers that the reserve backing the Gold Yuan note issue is insufficient, or the reserve in gold, silver and foreign exchange to be below the percentage stipulated in Article 8 above, it shall immediately notify the Central Bank of China to suspend further issue and to withdraw the amount of notes in excess of reserve, and at the same time report separately to the Executive Yuan and the Ministry of Finance.

Article 18. On receipt of the notification referred to in the preceding article, the Central Bank of China shall immediately withdraw the over-issued amount of Gold Yuan notes or make good the deficiency in the reserve. No further issue shall be made by the Central Bank of China without the examination and concurrence of the Gold Yuan Note Issue Reserve Supervisory Commission.

Article 19. The Gold Yuan notes shall not be counterfeited, defaced or intentionally destroyed or damaged. The violation of this provision shall lead to prosecution under the Regulations Governing Punishment of Damage to the National Currency.

Article 20. These Regulations shall come into force from the date of promulgation.

REGULATIONS GOVERNING CUSTODY OF TRANSFER OF RESERVE FOR ISSUANCE OF GOLD YUAN NOTES

(Promulgated by Executive Yuan on August 21, 1948)

Article 1. The reserve for the issuance of Gold Yuan notes shall consist of the following two categories:—

- (1) Gold and silver specie and foreign exchange;
- (2) Assets of government operated enterprises and enemy and puppet property.

THE TERRITORIAL PROBLEMS OF THE PEACE TREATY WITH JAPAN

By Zengo Ohira

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I. The Main Characteristics of the Peace Treaty with Japan
The Peace Treaty with Japan was concluded at the San-Francisco Conference on September 8, 1951. The main characteristics of this treaty are the following.

(A) Perfect Victory of the Allied Powers

The so-called unconditional surrender of Japan brought forth the main features of the Peace Treaty. Of course it is not technically correct to say that Japan made an unconditional surrender. Japan only accepted the Potsdam Declaration unconditionally. But, by signing the Instrument of Surrender on September, 2, 1945, the Japanese Government became subject to the Supreme Commander for the Allied Powers who would take such steps as he deemed proper to effectuate the terms of surrender. Consequently, it is quite understandable that the Supreme Commander for the Allied Powers (SCAP) did everything that he could in Japan. The Peace Treaty with Japan is the final inventory of the occupation policy of six years.

In order to interpret the Peace Treaty with Japan, we should at first recall the Cairo Declaration, the Potsdam Declaration, and even the Yalta Agreement. The Cairo Declaration and the Potsdam Declaration are not only the conditions of armistice, but also the conditions of peace. In some respects, these two declarations are the combination of the capitulation of armistice and the treaty of peace, preliminary and final.

As for the Yalta Agreement, the United States dislike to say that it is still applicable to her. But the Yalta Agreement is an international convention between the United States, Great Britain and Soviet Russia. Internationally, it does not bind Japan, but it is binding to the United States.

Next, we must know the unilateral dispositions which the Allied Powers had done during the occupation period. By the order of the Supreme Commander for the Allied Powers, Japan had already executed some articles of the Potsdam Declaration.

Third, the Peace Treaty with Japan was written by the

Allied Powers, especially by the United States. Mr John Foster Dulles was the main scenario-writer. This treaty is not the treaty of negotiation. The peace with Japan is a dictated peace. Therefore the peace treaty with Japan does not belong to the usual kind of international contracts, but rather resembles to a *contrat d'adhésion* of the French legal system. As a result, the intentions of the Allied Powers, above all the will of the scenario-writer, Mr. Dulles, will prevail when we want to understand the treaty. At the same time, when in ambiguity, this treaty must be interpreted favourably to Japan. *In dubio pro leo (mitius)*. Its reason is this: "Whatever the victors wanted to do for themselves, all could be drawn up in the peace treaty by them."

(B) Treaty of reconciliation and reliance

John Foster Dulles, the scenario-writer of the Peace Treaty with Japan, made a speech at the Whittier University on March, 31, 1951, and said as follows: "In conclusion, this peace will be a peace of reconciliation . . . and of reliance." At the San-Francisco Conference, on September 5, 1951, Mr. Dulles said again as follows: "The nations will here make a peace of justice, not a peace of vengeance. . . . The treaty remains, as first agreed, a non-punitive, non-discriminatory treaty, which will restore Japan to dignity, equality and opportunity in the family of nations."

The Peace Treaty with Japan inserted the following paragraph in Article 1: "The Allied Powers recognize the full sovereignty of the Japanese people over Japan and its territorial waters." And it is lacking of the clauses of war responsibility and of human rights. It did not stipulate the limitation of armaments and the international inspection, which originally had been expected to appear. Further, it was not the peace treaty but the Japan-America Security treaty that had set up the international military servitudes in Japan.

(C) Separate Peace

The peace with Japan is not a total peace but a separate peace. Needless to say, the Peace Treaty with Japan was

U.S.\$8,000,000.

- (6) Total assets of the Tientsin Paper Pulp Company estimated at U.S.\$5,000,000 of which are to be earmarked U.S.\$2,000,000.

The total of the above six items is U.S.\$300,464,693.83.

Article 2. The first category of reserve includes the following items:—

- (1) Gold to the amount of 2,767,173.587 ounces valued at U.S. \$96,851,075.54
- (2) Silver to the amount of 41,370,000 ounces valued at U.S. \$28,959,000.00
- (3) Foreign exchange valued at U.S. \$74,189,924.46

The total of the above three items is U.S.\$200,000,000.

Article 3. The reserve of the preceding article shall be transferred by the Central Bank of China to the custody of the Gold Yuan Note Issue Reserve Supervisory Commission within three days following its establishment.

Article 4. The second category of reserve includes the following items:—

- (1) Enemy and puppet property valued at U.S.\$74,283,809.06.
- (2) Total assets of the China Textile Reconstruction Company estimated at U.S.\$145,054,977.96. Calculating on 70% of this, the value is U.S.\$101,538,505.43.
- (3) Total assets of the China Steamship Navigation Company estimated at U.S.\$143,284,758.68. Calculating on 50% of this, the value is U.S.\$71,642,379.34.
- (4) Total assets of the Taiwan Sugar Company estimated at U.S.\$120,000,000. From the shares owned by the National Resources Commission and the Taiwan Provincial Government are to be earmarked U.S.\$43,000,000.
- (5) Total assets of the Taiwan Paper Company estimated at U.S.\$25,000,000. From the shares owned by the National Resources Commission and the Taiwan Provincial Government are to be earmarked

Article 5. The inventory of enemy and puppet property mentioned in the preceding article shall be transferred by the Central Bank of China to the custody of the Gold Yuan Note Issue Reserve Supervisory Commission within three days following its establishment. Within a month, the Central Trust Bureau together with other agencies having jurisdiction over enemy and puppet property shall, after examination, turn over the deeds of said property to the Ministry of Finance. The latter shall transfer them to the custody of the Reserve Supervisory Commission.

Article 6. The inventory of assets of government operated enterprises referred to above in article 4, shall be transferred by the Central Bank of China to the custody of the Gold Yuan Note Issue Reserve Supervisory Commission within three days following its establishment. Within a month, the Ministry of Finance, the Central Bank of China together with agencies having jurisdiction over such enterprises shall complete their organization into companies.

Article 7. The total capital of the companies mentioned in the article above, should be converted into Gold Yuan notes according to its value in U.S. currency as indicated in article 4. The companies shall issue shares from which the amount earmarked for the reserve of the issuance of Gold Yuan notes shall be transferred to the custody of the Gold Yuan Note Issue Reserve Supervisory Commission.

Article 8. These Regulations shall come into force from the date of promulgation.

(To be Continued)

signed by the majority of the Allied Powers and of the United Nations. On the other hand China was not invited at the San-Francisco Conference. India, Burma and Yugoslavia were but did not send their delegates to the Conference. Soviet Russia took an active part in the preliminary peace negotiation and was represented at the Conference, but they did refuse to sign the treaty. In addition, Indonesia still has not ratified the peace treaty, while the Philippines postponed it until July, 1956.

II. The Main Characteristics of the Territory Clauses of the Peace Treaty with Japan

The territory of New Japan was finally determined by Articles 2 and 3 of the Peace Treaty, the main characteristics of which were the following three.

(A) No aggrandizement, territorial or other

The Atlantic Charter, August 14, 1941, proclaimed as follows: "First, their countries seek no aggrandizement, territorial or other; "Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned; "Third, they respect the rights of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them."

This principle of no aggrandizement was confirmed by the Declaration of the United Nations, January 1, 1952.

Again this principle was affirmed by the Cairo Declaration as follows: "They covet no gain for themselves and have no thought of territorial expansion." And the Potsdam Declaration stipulated the execution of the terms of the Cairo Declaration.

It is of no doubt that the Potsdam Declaration established the territorial limits of new Japan in a concrete way as follows: "... Japanese sovereignty shall be limited to the islands of Honshu, Hokkaido, Kyushu, Shikoku and such minor islands as we determine." When the Allied Powers may determine the limits of minor outlying islands to be kept to Japan, they should be expected to respect the principle of no aggrandizement. Generally speaking, the territory clauses of the Peace Treaty were drawn in accordance with the Cairo Declaration and the Potsdam Declaration. But there were two exceptional cases, namely (1) the Okinawa and Ogasawara Islands, and (2) the Kurile Islands. These Islands originally belonged to Japan; they were not stolen or taken by violence and greed from other countries. These two cases, deviated from the principle of no aggrandizement, came from the Yalta Agreement and the strategic policy of the United States.

(B) Acquiescence of the *fait accompli* done by the Allied Powers

The Potsdam Declaration is not only the surrender terms, but also the peace terms. By accepting the Instrument of Surrender, Japan has been in a position to acquiesce the territorial dispositions prior to the termination of war made by the Allied Powers. The Allied Powers had full power to make decisions in accordance with the Cairo Declaration and the Potsdam Declaration.

As for Korea, there are two established governments. In the southern part of Korea, the Republic of Korea (Dai Kan Min Koku) was set up on August 15, 1948. On the other hand, the People's Republic of Korea (Chosen Minshu Jinmin Kyowakoku) declared its independence on September 7, 1948.

Just after Japan's surrender, China began to recover Formosa and the Pescadores. On August 29, 1945, General Marshall and Chiang Chieh-shih (Chiang Kai-shek) appointed the Governor of Formosa, on September 20, issued the Regulations of Organization to govern Formosa, and on October 25, the gala ceremony of restoring Formosa was held. Unilaterally China completed the national measures of the cession of Formosa in the fall of 1945.

The United States proposed the Pacific Islands, formerly under mandate to Japan, to the United Nations to place under its trusteeship system. The Security Council accepted the agreement of trusteeship concerning the said Pacific Islands on April 2, 1947, and this agreement became effective by the acceptance by the United States, on July 18, 1947.

Lastly, Soviet Russia had a good excuse to unilaterally

annex Sakhalin and the Kurile Island on the grounds of the Yalta Agreement. On February 3, 1946, U.S.S.R. declared formally the annexation of Sakhalin and the Kurile Islands.

I don't know whether the above-mentioned actions of the Allied Powers were all strictly in accordance with the Cairo Declaration and the Potsdam Declaration or not. But Japan was forced in every instance to acquiesce in those actions and finally accepted the territory clauses of the Peace Treaty as a whole.

(C) Uncertainty of Territorial Dispositions

The Territory clauses of the Peace Treaty with Japan left some territories in an indeterminate status.

While those indeterminate territories were in fact transferred already to the hands of the Allied Powers and Korea, legally some uncertainties are still remaining. These uncertainties have come from the separate peace by the Allied Powers and the changes of international situations after Japan's surrender.

Japan had renounced all right, title and claim to Korea, including the Islands of Quelpart, Port Hamilton and Dagelet. But there are two governments in Korea now. Which government would be the true successor of the right renounced by Japan? This is the first question.

Japan had renounced all right, title and claim to Formosa and the Pescadores. But there are two governments in China now. Which government would be the true successor of the right renounced by Japan? This is the second question.

Japan had renounced all right, title and claim to the Kurile Islands and to the southern part of Sakhalin. But Soviet Russia did not sign the Peace Treaty. Who is the beneficiary of the right which Japan renounced? The Peace Treaty with Japan did not give the geographical limitation of the Kurile Islands. Are the islands of Habomae and Shikotan included in the Kurile Islands? Are the Japanese people able to restore the southern parts of the Kurile islands, Etroep and Kunashiri? These are the third questions.

Japan accepted in advance the coming proposal of the United Nations to place under its trusteeship the Okinawa Islands and the Ogasawara Islands. But the United States will not be able to get the acceptance of the Soviet Union at the Security Council for her proposal. The United States wants to hold the Okinawa Islands and the Ogasawara Islands as military bases. What is the legal nature of the temporary occupation of the Okinawa Islands and the Ogasawara Islands by the United States? This is the fourth question.

III. Four Territorial Problems of the Peace Treaty with Japan

There are main territorial problems before Japan to-day. Let us explain them in detail.

(A) Korea

There are two governments in Korea to-day. One is the Republic of Korea (Dai Kan Min Koku) of the southern portion, and the other is the People's Republic of Korea (Chosen Minshu Jinmin Kyowakoku) of the northern portion. Korea was not a co-belligerent of the United Nations, but a part of Japan, during the war. Therefore newly independent Korea was not invited at the San-Francisco Conference. But Korea shall be entitled to the benefits of Article 2 of the Peace Treaty, according to Article 21 of the Peace Treaty. Consequently, Korea acquired the territorial rights without negotiating with Japan. But the Peace Treaty did not stipulate "Which Government is the true successor of the right renounced by Japan" or "Where is the boundary of Korea?"

According to my opinion, each Korean government should be entitled to the benefits of Article 2 of the Peace Treaty under the existing circumstances at the date of April 28, 1952, when the Peace Treaty with Japan became effective. And Japan renounced all territorial rights to Korea to the extent of which Japanese Governor of Korea had administered at the date of September 2, 1945, when Japan had accepted the Instrument of Surrender.

There is the problem of Takeshima between Japan and Korea which the latter has claimed and possessed since January 18, 1952. This is the boundary dispute concerning the interpretation of the Peace Treaty. But Korea is not a party to the Peace Treaty, so that the Article 22 of the Peace Treaty is technically not applicable.

On October 28, 1954, the Republic of Korea officially rejected a Japanese proposal to bring the dispute over Takeshima island for adjudication by The Hague International

Court of Justice.

The Takeshima question first arose on January 18, 1952, when Republic of Korea President Syngman Rhee proclaimed the so-called "Rhee Line." In this proclamation, he claimed Korean rights over all islands, waters, the sea-bed and sub-soil inside the Rhee Line. Takeshima island was claimed to be within this unilaterally imposed zone. The Japanese Government on January 28, 1952 protested the Seoul proclamation of the Rhee Line and especially insisted that Takeshima island was sovereign Japanese territory.

Since then, both countries have exchanged several notes on the dispute without succeeding in breaking the deadlock. Seeing no prospect of a settlement in sight, the Japanese Government recently proposed to bring the dispute before the World Court. But this procedure the Republic of Korea also refused and appeared to be unwilling to negotiate a peaceful settlement. Whereas Japan proposed to resort to settlement by international law experts, the Republic of Korea tried to establish an accomplished fact by force.

Japan has historical evidence to prove that Takeshima is a part of Japanese territory. And according to international law, there is no question of the Japanese claim over the island.

Called the Liancourt Rocks on world atlases, Takeshima lies 86 nautical miles northwest of Oki island off Japan's Shimane prefecture. It is composed of two small islands and several rocky islands. It was known in Japan since several centuries ago that there were two islands, Matsushima and Takeshima, northwest of Oki island. In olden days, Takeshima was known by the Japanese as Matsushima and was claimed as a part of Japanese territory. Takeshima was also used as a navigation and fishing point by the Japanese. In the days of the Shogun Iemitsu Tokugawa, administration over the island was given to the Lords of Yonago. Japanese boats going to the Dagelet islands always used Takeshima as a stopover point, and Japanese fishermen even went to Takeshima itself to fish.

Extant historical documents which were written during the Tokugawa Shogunate to this day support the Japanese claim. There is also a map of the island made during the period 1716-1735 on orders of the Shogunate. This map, belonging to the Ikeda Family, rulers of Shimane, was made after an actual survey of the island.

The Republic of Korea, on the other hand, has no documents or maps to prove that Koreans had used or even known about this island hundreds of years ago as the Japanese did. The Republic of Korea has only documents referring to Dagelet island whereas she has no historical evidence of her claim over Takeshima which lies 49 miles from Dagelet. And even Dagelet island was more or less ignored by Korea since the days of the Rhee dynasty. Common sense will tell us, therefore, that Korea could not possibly have administered Takeshima.

It was in 1905 that Japan formally took over possession of Takeshima according to processes required by international law. Incorporation of Takeshima island as sovereign Japanese territory was decided by the Japanese cabinet on January 28, 1905, and on February 22 of the same year, Shimane prefecture publicly announced the incorporation of the island as an administrative part of Oki island. This incorporation fully conformed with modern international law.

It was not an illegal annexation. Japan had known of this small island for centuries, she has used it first and later has chartered it. She obviously had the basis to claim sovereign rights over the island.

In order to obtain international recognition, Japan had to establish administrative rights. In August 1905 Governor Takekichi Matsunaga of Shimane prefecture personally surveyed the island.

Earlier, on May 17, 1905, Takeshima was entered in official books as Japanese government property. On April 14 of the same year, Shimane prefecture licensed fishing in Takeshima waters, and the first license was given to one Yosaburo Nakai and three others. Fishing rights by Japanese was continued until the outbreak of the Pacific war in 1941, and annual rental for use of land was paid by the licensed fishermen to the government.

The above facts support continuous Japanese control of the island. The Japanese claim is also justified by international law.

The Republic of Korea in a note on February 12, 1952

pointed out that Takeshima was withdrawn from Japanese administration by order of the Supreme Commander for the Allied Powers on January 29, 1946 and also that the island was located outside the so-called MacArthur Line. These actions, the Republic of Korea declared in the note, supported its claim over the rights.

The SCAP action was taken during the Allied Occupation of Japan and was not a permanent decision. The SCAP order specifically said that "nothing in this directive shall be construed as the policy of the Allied Powers concerning the final decision on the ownership" of Takeshima.

The MacArthur Line only restricted the operational zones of Japanese fishermen and did not delineate the area of Japanese administrative rule. It did not even constitute the final decision on Japanese fishing grounds.

From all these facts, we can only say that the Republic of Korea took advantage of the abnormal post-war circumstances to take over Takeshima island from Japan.

Korean fishermen in recent years appeared in increasing numbers in Takeshima waters. Japanese patrol boats have gone to the area to keep an eye on violations, and have protested several times to Seoul. The Republic of Korea refused to budge from its adamant stand on the island. And in July, 1954, the Republic of Korea sent armed guards to the island and constructed a lighthouse in August. A radio tower and artillery have since been set up on the island by the Koreans.

The dispute, thus, sees no prospect of settlement. Here, I should like to cite the dispute between Britain and France over small islands in the English Channel. Those two nations submitted their dispute to The Hague Court, which, November, 1953, handed down a fair decision and the dispute was settled. These islands were occupied by the Germans during World War II, but despite the complicated situation, the World Court gave the island to Britain on the basis of historical evidence. This decision disproved that policies and actions taken during the abnormal conditions of wartime constitute a final decision on territorial rights.

The Japanese Government will continue to press for a peaceful settlement of the Takeshima dispute despite the Republic of Korea's rejection of Japan's World Court bid.

(B) Formosa

There are two governments in China now. While the United States supports the Nationalist Government of China (Chiang Kai-Shek Regime), Great Britain and the Soviet Union recognize the People's Republic of China. Both governments of China were not invited at the San-Francisco Conference. According to the Cairo Declaration, it is understood that all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China. But China is not party to the Peace Treaty with Japan and shall not be entitled *ipso jure* to the benefits of Article 2 of the Treaty which Japan renounced.

But Formosa and the Pescadores are not interpreted to have become "res nullius". These islands are expected to be restored to the Republic of China. China, as a state, is in a position to claim Formosa and the Pescadores. Under the present circumstances, we can find no suitable government to represent China. It is quite clear that Formosa and the Pescadores belong to China according to the Cairo Declaration. The territorial problem concerning Formosa and the Pescadores is the question of a government to represent China.

As for Japan, she recognized the Nationalist Government of China and concluded with her the Treaty of Peace on April 28, 1952. The exchange of instruments of ratifications of this Treaty of Peace took place at Taipei on August 5, 1952. According to Article 2 of the Treaty, it is recognized that Japan renounced all right, title and claim to Formosa and the Pescadores in favour of China. Japan is permitted to conclude such a bilateral Treaty of Peace according to Article 26 of the Peace Treaty with Japan.

(C) Sakhalin and the Kurile Islands.

Sakhalin and the Kurile Islands originally belonged to Japan. Since the beginning of 18th century, the Japanese people had set up their economic establishments of fishing and wood-cutting at Sakhalin and the Kurile Islands and the Tycoon of the Tokugawa Government had ordered Lord Matsumae to administer these islands. It was only at the end of 18th century that the Russian Empire began to expand eastward and

tried to extend their colonial interests over these islands. Thus the territorial disputes occurred between Japan and this newcomer.

On February, 7, 1855, a treaty between Japan and Russia (Poutiatine's treaty) was concluded at Shimoda of Japan. It settled the boundary between Japan and Russia in regard to the Kuriles, giving to Japan the island of Etroep and to Russia the Kuriles north of the island. But the treaty made no division of Sakhalin, but treated it as a condominium. The status of Sakhalin as a condominium continued until 1875.

However, in a treaty signed May 7, 1875, between Japan and Russia, Japan secured to herself, in exchange for her rights in Sakhalin, the whole group of islands including Choumcheu at the northern tip of the insular chain. These historical facts here referred to are extremely important in interpreting the territory clauses of the Peace Treaty with Japan concerning the Kurile Islands.

During the Russo-Japanese war, the Japanese army occupied the whole parts of Sakhalin. But, according to the Portsmouth Treaty, 1905, Russia restored the northern part of Sakhalin without compensation and Japan gained the title to the southern part of her old island, Sakhalin. The new boundary was settled between Russia and Japan at N. 50'.

According to the war-time agreement of Yalta, the Soviet Union acquired the title to Sakhalin and the Kurile Islands. It stipulated as follows: "The Southern part of Sakhalin as well as the islands adjacent to it shall be returned to the Soviet Union... The Kurile Islands shall be handed over to the Soviet Union." On the other hand, the United States is insisting that, in order to be entitled to the territorial interests of the Peace Treaty, the Soviet Union must become a party to the Peace Treaty with Japan. But if the things are left long enough as they are, the *fait accompli* done by the Russian occupation is probable to become a prescriptive right.

Here I want to mention something about Habomae and Shikotan. It is of no doubt that the Islands of Habomae and Shikotan, geographically and legally, do not belong to the Kurile Islands. These are essential parts of Hokkaido. Accidentally, the Japanese defense forces surrendered to the Russian commander at the end of War II. But at the London Peace Conference between Japan and Russia, 1955, the Russian Delegate expressed their intention to return the Islands of Habomae and Shikotan to Japan.

Upon conclusion of the negotiations for normalization of Japanese-Soviet relations in Moscow on October 19, 1956, a Joint Declaration and a Protocol on trade were published. According to the 9th Article of the Joint Declaration, Japan and the Union of Soviet Socialist Republics agreed to continue

their negotiations for the conclusion of a peace treaty after normal diplomatic relations had been reestablished between the two countries. The Union of Soviet Socialist Republics, in response to the desire of Japan and in consideration of her interests, agreed to transfer the Habomae Islands and the island of Shikotan to Japan, provided, however, that the actual transfer of these islands should be effected after the peace treaty between Japan and the Soviet Union was concluded.

At present the international status of the Kurile islands is not yet settled in a definite word. The Japanese people are eager to have the return of the southern part of the Kurile islands. The islands of Etroep and Kunashiri are supported to be originally the parts of Hokkaido (Yezo) by Poutiatine's treaty concluded at Shimoda, 1855. The United States Government also seconded the view of the Japanese Government concerning Etroep and Kunashiri.

(D) Okinawa and Ogasawara

Okinawa and Ogasawara originally belong to Japan. Japanese residual sovereignty to Okinawa and Ogasawara is recognized by the United States Government. At first Mr. Dulles proposed to place Okinawa and Ogasawara under the United Nations trusteeship system, with the United States as the sole administering authority. Dulles' proposal was strongly opposed by the Soviet Union and India. Russian memorandum to the United States dated November 23, 1950, stated as follows: "The Cairo Declaration and the Potsdam Declaration did not stipulate to take away Okinawa and Ogasawara from Japan's sovereignty, but declared no thought of territorial expansion." Indian message to the United States dated August 23, 1951, said as follows: "Okinawa and Ogasawara, which are not the territories acquired by aggression and whose inhabitants have their historical relations, are not suitable to place under the trusteeship and not to recognize the full sovereignty of Japan." Great Britain was supposed to have supported the Indian attitude in this respect. Then the conception of residual sovereignty to Okinawa and Ogasawara appeared in the conference. Thus the Peace Treaty came a little bit closer to the treaty of reconciliation and reliance.

The conception of residual sovereignty is borrowed from the conception of property of the Roman civil law, which recognizes the divisibility of property and the separation between proprietorship and beneficial enjoyment. The best example of residual sovereignty is the case of a leased territory. The sovereignty of the lessor state over the territory is more nominal than real. The actual possession belongs to the lessee state only. The residual sovereignty is not a right of possession

(Continued on page 26)

INDUSTRIAL DEVELOPMENT IN TAIWAN IN 1957

By K. T. Li

(Taipei)

As a result of determined effort and hard work of both Government and industry, the year 1957 continued to show many improvements in the industrial development of Taiwan. Output of the majority of products registered an increase as compared with the previous year. New factories continued to be brought into production and new products to be introduced to the market. So did the modernization of existing productive facilities and advancement of manufacturing skills. A number of new projects have also been formulated and new measures installed to further facilitate the development of industry.

Output of Minerals and Manufactures

1. Actual output vs. target—Taiwan's actual output of minerals and manufactures, if considered in terms of thirty-eight comparatively important items, has generally attained the original production goal. For example, there are 9 that exceeded their targets by more than 10%: Salt, Copper, Calcium Super-phosphate, Gasoline, Fuel oil, Tin plate, Steel bars, Fluorescent lamp, and Utility wagon.

There are 16 items that reached the production goals as planned and 13 items that fell below their goals by more than 10%. These latter are as follows: Sulphur, Pyrite, Rayon filament, Fused phosphate, Ammonium sulphate, Nitrophosphate, Nitrogen solution, Pulp, Cement, General machinery, Electric meters, Bicycles, and Wines.

This failure to attain the production goals may be attributed to several causes, i.e., delays in the completion of project as in the case of rayon and cement; initial problems in the case of ammonium sulphate, nitrophosphate, and nitrogen solution; over-optimism in fixing the production goals as in the case of sulphur, pyrite and wines.

2. Comparison between 1957 and 1956—This affords an even better illustration of the progress made in the industrial production of 1957. For example, of the 38 products, there are as many as 29 that scored an increase and no fewer than 5 that were for the first time manufactured on the island.

The following is a tabulation of the planned and actual output of 38 major products in 1957 in comparison with the actual output of the previous year.

Comparison of 1957 and 1956 Output

Item	Unit	1957			1956 Actual Output	1957 Output as Compared with 1956 (1956=100)
		Planned Output	Actual Output	Actual Output as % of Planned Output		
Power Generation	million kwh	2,704	2,555	94.5	2,250	113.6
Coal	1000 M. T.	3,100	2,916	94.1	2,529	115.3
Salt	1000 M. T.	300	387	129.0	329	117.6
Copper	M. T.	2,150	2,714	126.2	2,702	100.4
Sulphur	M. T.	13,000	9,584	73.7	7,990	119.9
Pyrite	M. T.	40,000	33,272	83.2	29,662	112.2
Sugar (Raw Value)	1000 M. T.	800	866	108.3	795	108.9
Canned Pineapple	1000 c/s	1,250	1,143	91.4	1,132	101.0
Cotton Yarn	1000 b/s	157.5	154	97.8	135	114.1
Cotton Cloth	million yds.	163	170	104.3	155	109.7
Rayon Filament	M. T.	1,300	915	70.4	0	—
PVC	M. T.	1,000	1,064	106.4	0	—
Calcium Cyanamide	M. T.	72,000	74,790	103.9	74,518	100.4
Calcium Super-Phosphate	M. T.	85,000	103,605	121.9	100,714	102.9
Fused Phosphate	M. T.	14,000	10,055	71.8	10,030	100.2
Ammonium Sulphate	M. T.	17,400	15,360	88.3	6,598	232.8
Nitrophosphate	M. T.	17,000	2,834	16.7	0	—
Nitrogen Solution	M. T.	8,500	2,574	30.3	0	—
Gasoline	K. L.	160,000	186,551	116.6	162,713	114.7
Kerosene	K. L.	35,000	34,222	97.8	32,139	106.5
Diesel Oil	M. T.	118,000	116,126	98.4	94,715	122.6
Fuel Oil	M. T.	250,000	297,205	118.9	311,514	95.4
Paper	M. T.	60,210	59,634	99.0	49,357	120.8
Pulp	M. T.	25,000	21,048	84.2	21,243	99.1
Caustic Soda	M. T.	22,100	25,373	114.8	19,596	129.5
Cement	1000 M. T.	700	604	86.3	591	102.2
Window Glass	1000 c/s	180	182	101.1	161	113.0
Aluminum Ingot	M. T.	8,000	8,259	103.2	8,759	94.3
Black Sheet	M. T.	3,600	3,576	99.3	2,478	144.3
Tin Plate	M. T.	1,200	1,862	155.2	1,608	155.8
Machinery	M. T.	12,000	9,980	83.2	9,322	107.1
Steel Bars	M. T.	67,000	88,382	131.9	78,827	112.1
Electric Meters	1000 pcs.	200	140	70.0	115	121.7
Fluorescent Lamps	1000 unit	100	158	158.0	93	169.9
Bicycles	1000 unit	60	42	70.0	34	123.5
Utility Wagons	unit	100	142	142.0	0	—
Cigarettes	million pcs.	11,085	10,442	94.2	10,878	96.0
Wines	1000 H. L.	1,034	871	84.2	822	106.0

New Plant and Equipment and New Products

The level of new industrial activity continued to be high in 1957. In the following paragraphs are described two categories of new projects. One consists of those that are already completed and the other of those that are nearly completed.

1. Projects Already Completed

(1) Expansion of electric power—As a result of determined effort on the part of the Government to develop the power industry, total installed capacity has been boosted to 541,000 KW. In July 1957, a portion of the Wusheh Dam Project was completed with a recorded maximum generating capacity of 14,000 KW. The project, when completed in August 1958, will add an estimated 35,000 KW in firm power to the Taiwan power system. The dam is of the curved gravity type. It is 114 meters (or 376 feet) high with a 146,000,000 cubic meter pondage.

(2) Growth of the fertilizer industry—Initial production difficulties encountered during the period of trial operation of the First Expansion Project of the Kaohsiung Ammonium Sulphate Works were overcome early in 1957. As a result, the Works' daily productive capacity of anhydrous ammonia has been enlarged from 5 to 50 metric tons (equivalent to 250 metric tons of ammonium sulphate), making possible a tenfold increase in production.

The Taiwan Fertilizer Company's Nitrophosphate Expansion Project at its No. 3 Plant was completed in September 1957 and added an estimated 36,000 metric tons to its annual capacity of nitrophosphate production.

Construction of the Hualien nitrochalk plant was completed in September 1957 and test runs are in progress. Annual capacity of the plant is 70,000 metric tons of nitrochalk.

(3) Expansion of paper production—In April 1957, the Taiwan Pulp and Paper Corporation completed its additional installations at Lotung, thereby increasing its capacity for newsprint production by 12,000 metric tons per year. This represents an increase of no less than 50% on the basis of the Corporation's total paper production in 1956 of 22,000 metric tons.

The Kiu Dah Paper Board Mill finished the erection of its plant at the end of 1957, having an annual productive capacity of 6,000 metric tons of white paper board.

(4) Expansion of cement production—The Chutung Expansion Project of the Taiwan Cement Corporation was completed in September 1957. This has resulted in an additional capacity of 100,000 metric tons of cement per year. So was the new Chia Hsin Cement Plant, which has an annual capacity of 140,000 metric tons.

The two projects boosted the Island's supply of cement by as much as 40% a year and have helped to relieve the persistent shortage of cement. As a consequence, the Government has lifted its controls on this commodity since the first of the year.

(5) Establishment of a viscose rayon filament plant—After three years of preparation and planning, the China Artificial Fiber Corporation finally completed and placed its viscose rayon plant in operation in March 1957, with an annual capacity of 1,300 metric tons of 150 denier rayon filament. Due to changes in market demand, it has recently been decided that a staple fiber manufacturing unit of a daily capacity of 4½ metric tons should be added to the plant in order to better provide for the needs of the market.

(6) Establishment of a PVC plant—Production of the PVC plant of the Formosa Plastics Corporation began in April 1957 with a productive capacity of 1,600 metric tons of polyvinyl chloride per year. The Corporation is not only acting as a raw material supplier to local fabricating plants but also is going into the manufacture of PVC sheets, tubing, pipes and other industrial products.

(7) Manufacture of automobiles and diesel engines—The Yue Loong Engineering Corporation started regular production and manufactured a total of 142 cars in 1957, including jeeps, station wagons and utility wagons. Manufactured also were 200 marine diesels of 6 h.p. and 100 of 10 h.p. Preparations are being made at this time for the production of 200 small diesels of 4 h.p.

(8) Manufacture of artificial wood board—Production of chipboard, made from waste wood, in sheets of various sizes and thicknesses, was begun by the Taiwan Homodurawood Corporation in August 1957, at an annual capacity of 4,500 metric tons. If raw material supply can be improved and an export

market developed for the product, the growth prospects for this industry are splendid.

(9) Manufacture of aluminum foil—The Taiwan Aluminum Corporation completed its installation of machinery for the manufacture of aluminum foil at the end of 1956 and went into production in 1957. Present annual capacity is 600 metric tons. The product is not only in demand by the cigarette, tea, food and other local industries but has also good prospects for export. The aluminum fabrication industry as a whole continued to make good progress. An increasing variety of aluminum products have been introduced into the market and in the case of aluminum windows, for example, they have been even exported to the Ryukyus.

(10) Progress of the iron and steel industry—Through arrangement by the Industrial Development Commission, the blast furnace plant at Sitze has installed one Bessemer converter and one arc furnace in order to produce steel ingots directly from iron ore. The installation was completed and came into production in August last year, with a monthly capacity of 1,500 metric tons of pig iron and 1,000 metric tons of steel. While its scale of production is small, the plant represents a cooperative venture, the first of its kind, between two enterprises in the iron and steel industry and points to a way of sound development for the future.

(11) Expansion of the food processing industry—The Tainan Sweet Potato Dehydration Plant was completed in July 1957, capable of handling 7,000 metric tons of sweet potato a year. During off seasons, the facilities can be used to dehydrate turnip and other vegetables.

Making use of its Taitung Sugar Mill and adjacent land, the Taiwan Sugar Corporation established there a pineapple cannery. Test runs were already made of the equipment at the end of 1957. Efforts on the extension of pineapple plantation will have to be enhanced, however, in order to keep the cannery in full production.

It remains the policy of the Government to promote the best coordination between agriculture and industry.

(12) Operation of deep-sea fishing boats—The four 350-ton tuna clippers ordered by the China Fisheries Corporation were built by the Taiwan Shipbuilding Corporation. At the time of writing, two of the clippers have each completed two trips to the Indian Ocean and given an improving performance.

2. Projects Nearing Completion

(1) More electric power for industry—Completion of the second generating unit of 40,000 KW Lungchien Hydro Power Station is also making progress and is scheduled for completion in August 1958. The Lungchi Dam, which is the source of water for the Lungchien project, has a gravity fall of 892 metres (or 2,944 feet), rated as one of the highest in the world.

(2) Increased supply of chemical fertilizer—All major pieces of equipment of the new Urea Plant of the Taiwan Fertilizer Corporation were installed and tested. Initial production is expected this year at an annual rate of 84,000 metric tons.

(3) Further development of the pulp and paper industry—The greatest portion of equipment for the expansion of the Hsinying Pulp Mill of the Taiwan Pulp and Paper Corporation has been delivered and installed. When completed in May this year, the project will result in an increase of bagasse pulp production to 25,000 metric tons a year.

The Longview Paper Mill with an annual capacity of 2,500 metric tons of envelop paper completed the installation of its plant and equipment at the end of 1957 and is expected to begin production in February this year.

The China Paper Mill with an annual capacity of 6,000 metric tons of corrugated paper boards has also completed its plant and is expected to start production in February this year.

Work on the construction of the Ta Chung Paper Mill has also been making progress. Production is expected in May this year at an annual rate of 6,000 metric tons of yellow paper boards.

According to an IDC survey the total annual capacity of the Island has reached 110,000 metric tons of paper and paper boards. But domestic consumption is in the neighbourhood of only 70,000 metric tons. Therefore, this is an industry that will have to look to the export market in the future.

(4) Textiles—A total of 1,291 automatic looms for replacement purposes were approved last year. Of this num-

ber, 359 are to be manufactured locally and about half of them have already been finished and are in operation. Of the remaining looms to be procured from abroad, 190 have been delivered.

Staple fiber spinning mills added 22,924 spindles last year, which brought the installed spindlage to 40,188. An additional 14,800 are in the process of installation.

(5) Increasing production of coal—Special efforts were made by the Government in 1957 to increase the supply of coal. For instance, certain concessions have been adjusted so as to promote the development of a number of dormant mines. Certain small concessions have been consolidated so as to permit more efficient mining operation. U. S. Aid loans have been extended to a selected number of mines that show the best promise for increased production. For the industry as a whole, credit assistance has also been made available by the Bank of Taiwan to provide for general replacement of equipment and machinery and maintenance of production. A practice has further been adopted, whereby the demand and supply situation is periodically reviewed and timely corrective action can be taken. As a result of these measures, the serious shortage of coal which set in in the fall of 1956 is no longer keenly experienced and supply and demand are nearly in balance. Further efforts will be concentrated on the improvement of quality.

(6) Development of Ta-Shu-Shan Forest—Construction work made good progress in 1957. The logging truck road system has been completed. A portion of the logging equipment and machinery has also been delivered. Plant site for the saw mill has been purchased and site preparations are being made. The proposed organization of the Ta-Shu-Shan Forest Development Corporation to take over the operation phase of the Preparatory Commission is at present under review by the Taiwan Provincial Government. It is likely that production will be started in the second half of this year. Initial production target is 80,000 cubic meters of lumber, which is to be pushed to 255,000 cubic meters in about five years.

New Projects and Measures

In the interest of fuller utilization of natural resources and long-range industrial development of Taiwan a number of new projects and measures were promoted and approved:

1. Establishment of new enterprises

(1) Soda ash—Work on the private soda ash plant of 50-ton daily capacity approved by the Government in 1956 has been making progress. Machinery has already been ordered from West Germany on an installment plan.

(2) Beer—Due to rapid population increase and improving standard of living Taiwan's consumption of alcoholic beverages has been on the rise at an average of approximately 14% a year. To raise additional revenue as well as to meet this increasing demand the Government approved a project to build another beer plant. Scheduled to be in production in 1959 the plant will have an annual capacity of 1,000,000-1,500,000 dozens of bottles of beer.

(3) Bagasse shaving board—In addition to the bagasse board plant at Chang Hua, which was brought into production in 1956, and in an effort to more fully utilize its by-product, the Taiwan Sugar Corporation initiated a project for the manufacture of bagasse shaving boards for use in the construction trade. The project will be located at Kaohsiung, will have an annual capacity of 15,000-20,000 metric tons and is expected to be in production in 1960.

(4) Rubber tires—Although an auto-tire manufacturing plant was included in the First Four Year Plan, it had never been realized.

A private firm, the China Rubber Tire Manufacturing Corporation, obtained U.S. Aid in 1957 for a tire manufacturing project of an annual capacity of 60,000 casing and tube assemblies. The project requires foreign technical assistance, the terms of which are now under review by ICA.

(5) Color printing—Construction work on the lithographic color printing and plate-making plant was started at the end of 1957 after a suitable piece of land for plant site had been selected and purchased. At the time of writing, invitations-to-bid on plant equipment and machinery are already issued. The plant is expected to be in production early next year.

2. Expansion of Existing Plants

(1) Power—While the power industry has been sub-

jected to steady expansion over the years, the demand for power due to overall industrial growth has likewise been in a sharply upward trend, showing an average annual increase of more than 18%. As a result, in spite of the continual increase in power supply it has yet to catch up with the growing demand.

Additional power developments projected in the Second Four Year Plan originally consisted of the Shen Ao First and Second Thermal Units of 75,000 KW each, the Ku Kwan Hydro Power Plant of 90,000 KW, and the Shihmen Hydro Power Plant of 40,000 KW. In view of the aforementioned upward trend in power demand, however, it has been become advisable to modify original plans and to boost the capacity of Shen Ao Second Thermal Unit from 75,000 KW to 125,000 KW, thereby upping the Second Four Year Plan's working target from a total of 280,000 KW to 330,000 KW.

As of present, plans for Shen Ao First and Ku Kwan have been approved by ICA, with the proposed enlargement of the second unit of Shen Ao still under review.

(2) Ammonium sulfate—The second expansion program of the Kaohsiung Ammonium Sulphate Works has been under implementation. The program will bring its present daily production of sulfuric acid from 50 to 325 metric tons and that of anhydrous ammonia from 50 to 150 metric tons. Upon completion of the program in 1959 Taiwan is expected to become self-sufficient in its nitrogen fertilizer supply and also capable of reducing the costs of production considerably.

(3) Aluminum—The modernization and expansion program of the Taiwan Aluminum Corporation outlined in the Second Four Year Plan and designed to make fuller utilization of the existing productive capacity of alumina through coordinated expansion of electrolytic reduction facilities was revised in 1957. The most significant change made calls for the installation of 100,000 amp. reduction pots of Pechiny's design (vs. 55,000 amp. reduction pots considered in the original program) to replace the existing obsolete 26,000 amp. reduction pots now in operation. When realized, the program will result in an appreciable saving of power and reduction of costs. It is expected also to increase present aluminum production from 8,000 to 20,000 metric tons a year.

(4) Aviation gasoline—Construction of Chinese Petroleum Corporation's avigas manufacturing plant is in progress. When completed, the plant will have an annual capacity of 400,000 barrels. Procurement of the alkylation unit and other equipment was partially financed by the U. S. Gulf Oil Corporation. The production will be sold to Caltex International under a five to ten years contract.

In the area of petroleum chemicals, the Corporation has formulated a program for the erection of a Udex Extraction Unit in order to manufacture such basic organic chemicals as benzene, toluene and xylene.

3. Replacement of Productive Facilities

(1) Jute processing—Gunny bags are essential to the export of sugar and rice as packing material. Two of the manufacturers, Chia Nan and Feng Yuan, placed orders for the import of replacement machinery, which is scheduled to arrive before June this year. The Shin Shen Jute Mill added a total of 1,020 new spindles, which were made in its own shops, to work exclusively on export orders. Under an agreement with Thailand the Mill will import 1,000 metric tons of jute and process it into bags for shipment to that country.

(2) Electrical machinery and appliance—In order to promote export through improvement of production efficiency and quality of product several agreements with foreign firms for technical assistance and cooperation have been negotiated. The Ta Tung Engineering Corporation's joint venture with Westinghouse for the manufacture of electric motors, motor starters, capacitors, switches, and ballasts is already making some headway. Production is expected in February 1959.

Under the agreement, between the China Electric Manufacturing Corporation and the Tokyo Shibaura Electric Engineering Company of Japan, work on the new plant building was half completed at the end of last year. Equipment and machinery ordered from West Germany and Japan are scheduled for delivery in March this year. When completed in June 1959, the plant will have an annual capacity of 6 million electric light bulbs of improved quality.

Fluorescent lamps manufactured under the agreement

between the Taiwan Fluorescent Lamp Company and the Tokyo Shibaura Electrical Engineering Company of Japan are enjoying a gradual increase in market demand. Consequently, their production has been able to stay at a level which was originally projected. A plant for the manufacture of glass tubes by automatic machinery is being set up and is expected to be in production this year.

4. Basic Measures

(1) Enforcement of quality standard for canned pineapple—To promote the improvement of quality of canned pineapple product a step by step procedure to enforce plant improvement was announced by the Government. According to the procedure, all pineapple canneries planning to do export business had to meet at certain prescribed intervals a succession of increasingly higher standards in the way of plant and equipment, so that only the best qualified canneries can engage in export. Moreover, the canneries association now calls a meeting of its members every month to determine what each member should produce in the following months, so as to avoid unnecessary competition for raw material and to ensure uninterrupted production for those that have demonstrated an ability to export.

(2) Further studies on the Integrated Iron and Steel Mill Project—Field studies have been made not only of the supply situation of iron ore in the Philippines and Malaya but also of the latest steel industry developments in western Europe. While the project has been closely followed up, the question of financing will have to be resolved before the project can be translated into reality.

(3) Further exploration of natural resources—A great deal of investigation and exploration work, much of it financed by ICA, in the fields of metallic and non-metallic minerals, petroleum and water resources has been continued in 1957:

Coal—The reestimation of coal reserves in Taiwan initiated in August 1957 is in progress and is expected to be completed in one and one half years. Exploratory mining has been conducted in a number of areas and such mines as Hai-shan, Mu-shan and Lu-ko have been found to contain rather thick seams and good reserves.

Iron—At Tao-yuan, Hsin-chu, Tai-chung and other adjacent areas on the western plain, limonite deposits containing 37% to 45% iron and estimated at some 1 million tons have been discovered.

Copper, gold & pyrite—A new gold ore body and a new copper-pyrite vein have been discovered at Chin-kua-shih, which are rich enough for mining.

Water resources—Surveys of undeveloped ground and surface water resources by the Water Resources Planning Commission have also been continued. Work that has been completed or is in progress consists of studies and the formulation of development plans for the Choshui River Valley, Chuping Reservoir, the Ta-chia River Valley, the Pei-nan River Valley and the compilation of hydrological data. A U.S. engineering firm was engaged to assist and an advance party of three engineers has arrived in Taiwan since October last year.

Petroleum—During 1957, the Chinese Petroleum Corporation's major exploration work was concentrated on the west coastal plain and Lo-shan. At these regions geological survey was done on eleven localities covering an area of 800 square kilometers. Seismographic prospecting was made along a lineal distance of 560 kilometers. A total of 1,763 holes were bored. Also drilled were 8 wells with a total footage of 10,200 meters. Among the 5 wells drilled at Lo-shan, one is producing oil, one natural gas, and one carbon dioxide which has subsequently been abandoned.

(4) Cooperation between civilian industry and arsenals—The arrangement with the military whereby surplus skilled manpower and high precision machinery were made available to civilian industry in the form of job services and which was discontinued in 1956 due to legal questions raised by MAAG, has been reactivated with the help of ICA China Mission. A joint group now screens all the job requests submitted by the civilian industries before they are channeled to the arsenals for action. Such cooperation between civilian industry and the military is expected to keep skilled arsenal workers in good training, make fuller use of arsenal equipment, and contribute to the technological advancement of the civilian industries.

Concluding Remarks

When making a review of the production records achieved during the last several years and of the new projects programmed for the immediate future there can be no doubt that good progress is being made in the industrial development of Taiwan. However, we should by no means become complacent or lose sight of some of the signs of warning:

1. Need for optimum size plant and integrated operation—In some areas production capacity has reached a point where output at full capacity can no longer be absorbed by the local market. Nor has an export market been established to provide an outlet for the surplus. The textile industry, for example, is finding itself in exactly such a situation.

Of the many difficulties contributing to the failure of opening up an export market, there are two that are perhaps the most obvious: First, the greatest majority of our factories are not of optimum size and, therefore, do not lend themselves to efficient and economic operation. Second, their operations are not sufficiently integrated, so as to permit reduction of manufacturing costs.

It is suggested, therefore, that while maintaining an independent status for their individual establishments, the industries must pool their resources and integrate their operations in order to compete for a share of the world market.

In the future, all potential investors should be helped to realize the long-range economy of an optimum size plant and the necessity of looking beyond the local market. In this connection, they should be encouraged to seek foreign capital and to promote joint enterprise in cooperation with well-established foreign firms. But, before foreign capital can be interested in Taiwan, it is imperative that the Government redoubles its effort toward the improvement of local investment climate and toward the promotion of public understanding and support of foreign investment.

2. Industrial growth slowing down and need for mobilization of private capital—Since 1953, the rate of increase of Taiwan's industrial production index has been characterized by a downward trend. It is true that this may be explained away by the argument that in the early postwar years most of the industries had been in a state of abandonment and that once they were placed back into operation there should be more sharp rises in production. But the fact remains that the economic gains realized each year have been offset by the rapid growth of population. As a result, in spite of the continual increase of gross national product, the level of per-capita income has seen little improvement since 1953. This seems to be contrary to the belief that we have developed too fast and points to the need of redoubled effort in the accumulation of capital for industrial development.

Shortage of capital remains to be a stumbling block to industrial development. This seems to have commanded and received increasing attention and thoughts. One of the means proposed for relief is that when corporation bonds are floated they should be guaranteed by banks, in the hope that idle private savings may be mobilized and channeled to productive enterprise at a more realistic rate of interest and under a reasonable measure of protection. Reportedly, such practices as this are being carefully considered by the authorities concerned. It is our hope that a sense of urgency can be developed and that prompt action can be taken.

Actually, our supply of capital is not as scarce as it might at first be thought. The success last year of the Ta Tung Engineering Corporation and the Taiwan Cement Corporation in the sale of their preferred stocks and bonds amounting to no less than 40 million Taiwan dollars is a proof that, despite a low average of income, numbers of people do have capital tucked away and idle. It is up to the Government and industry alike to induce it into useful employment.

3. Need for more coordinated efforts—Promotion of a more favorable climate for investment and industrial growth by means of amendment of pertinent laws and regulations and simplification of various procedures should be made a constant effort in order to encourage the flow of private capital into productive enterprise. Customs tariff should be frequently reviewed and timely adjustments should be effected in order to better suit the changing needs of a developing economy.

A number of trade agreements have been negotiated with friendly countries in the last few years. While this has helped

REPORTS FROM SINGAPORE

BETTER COMMUNICATIONS

The Singapore Government is striving to improve its system of communications thereby improving both trade and industry, the Minister for Communications and Works, Mr. Francis Thomas, declared when he recently opened the new \$300,000 By-Pass at Bukit Timah village. The Minister said that in a great trading city like Singapore, good communications were absolutely essential for prosperity. "Within Singapore, roads are of the greatest importance. Our external trade comes to us by sea, but the internal flow is along our roads. This new By-pass is essential for the future development of trade and industry. During the last two or three years, our farmers have enormously increased their output of wealth—the basic wealth on which we live, the food which is sold and bought in our public markets. Singapore's farmers could, perhaps, once have been called 'forgotten men'; indeed I called them that when I opened the Bukit Panjang Post Office in 1956. Today they are most certainly, not forgotten."

"In 1954, the Rural Board had only a little more than \$5-millions for its whole spending including all development work. Today it has \$5-millions for development alone, and its total spending will be about \$13-millions. You can see how public investment in the rural areas goes hand in hand with increased rural production and prosperity, and with better standards of living for all on the island. As the rural areas take their place in the pattern of Singapore's prosperity, so their need for better communications increases. Our accelerated road programme recognises this, and with it go other programmes for expanded agricultural and veterinary services, for better drainage and so on. Quite soon there will be elections for three Rural District Councils which will take the place of the Rural Board. The people of the rural areas will be more closely in touch with the machine provided to serve their needs. It is very important that these new District Councils should be wise and practical in their work. They will have large sums of the people's money to spend, and if they make mistakes, the money will be wasted and the people will not benefit. When election time comes, it will be necessary for the voters to consider carefully who to choose to be responsible for the spending of their money."

FUTURE STATE

The people of Singapore, at this crucial time when they stood on the threshold of self-government, had to adjust themselves to the future state, the Director of Information Services, Mr. G. G. Thomson, recently stated. The Singapore All-Party Mission would return with the form—but not the substance—of self-government. This must bear the mark: "Made in Singapore," although there were some people who sought to give it the stamp of an alien ideology and to hobble the feet of the new State. Singapore has successfully demanded

promote Taiwan's export, other factors affecting it should also be given close and constant attention in order to achieve fuller coordination between production and trade.

The need for more coordinated efforts may best be illustrated with several specific cases in the agricultural processing industry.

Due to continual expansion in the last few years of plant and equipment in the pineapple canning industry, the supply of fresh pineapple has been sometimes outstripped by demand. This has resulted in scrambles for raw material or in partial shut-downs of plant.

There are also certain practices now adopted by the Government, which make it difficult for the industries, such as the pulp and paper industry and the artificial wood board industry, to obtain directly their needed raw material or to establish their own plantations so as to create a more dependable source of raw material supply and to permit integrated operations.

Urgent, if not drastic, measures should be considered to relieve these industries of their shortages of raw material and to encourage the establishment of their own plantations. Indeed, it is impossible to over-emphasize the importance and the need of close coordination between agriculture and industry here in Taiwan.

the opportunity to find its political self—not to lose itself in a personality imposed from outside our South-East Asia region pulling us away from our near neighbours. There are many words used to describe the coming of self-government, but the most accurate and no less challenging is surely the word to 'build.' I would like to see a group which calls itself the 'Builders of Self-Government.' To build means to plan, to train, to organise, to mobilise all our resources in a constructive positive effort for something new which must be built to last and built to satisfy all those who live within it. To build is to struggle and create at the same time—to struggle against the difficulties of the site, the difficulties of the material, the difficulties of discipline during the building, the difficulties of ignorance and short-sightedness and communalism.

"And in the end it is not an empty and destruction-strewn battle-field which is gained, but a home for our citizens which is a monument to the energy, imagination and collective effort of the people. In this context, those in the front-line are those who improve their technical skill, who train themselves to think and act as citizens, who give the service of their loyalty and their energy, their enthusiasm and their service to Singapore. The stuff of citizenship is not in law; nor is it only in economic success, nor in the appearance of the city we proudly build although these are necessary. It is in the harmony and quality of life which we are able to give the individual. A citizen is not a vote in a ballot box or a microcosm in a mass. He is the man or woman who alone can give the vivid human qualities to our community; he is the one who must feel in his daily life whether there is any difference in his life with the coming of self-government."

SINGAPORE IN THE COMMONWEALTH

The Governor, Sir William Goode, recently stated that the British Commonwealth was a widespread, large family with vitality and initiative. A family was what the members made of it. Whether a family was happy or not, whether it was a family that helped each other depended on those who were members of it. So it was with the Commonwealth. It was a family of people who had grown up in an atmosphere of friendship and freedom which brought out the greatest of their abilities and each member could, without jealousy, be proud of the achievements of the others and all could consult and work together for the benefit of each and of all.

Sir William continued, "Each member must grow up in his own way and must solve his own problems, as we are now doing in Singapore. Singapore has worked out a new form of Government. One of the changes will be in the office which I now hold. At present I am the Queen's representative in Singapore, and a proud thing it is for me. Next year the representative of the Queen will be a Malayan; he will be called the Yang di-Pertuan Negara—or Head of State; and he will be all the more proud, as you will be proud of him, as the first Malayan to represent the Queen in Singapore. Singapore will have found its own way of living, as everyone of us finds his or her way of living from education and experience. And that will not weaken, but will strengthen, the membership of a family which has been our close friends of the Federation of Malaya and the first independent African State of Ghana find their freedom in the friendship of the family of the Commonwealth. And at the head of this Commonwealth is the Queen who is a personal symbol that we are linked together as a family of equals. And she is happier, the stronger each member of the Commonwealth becomes, and the more distinctive out ways of life.

"We are not brought up to be all alike; we are brought up to be ourselves and it is our differences that make the family such an interesting and happy—and strong—one to belong to. When men and women and children of all races and cultures and religions can live together happily, liking and respecting each other, and assisting each other, we surely have an example of the kind of world we would all like to see. And we in Singapore, where boys and girls of very different races work and play together, can appreciate all the more how good it is to be members of such a family of many talents. We in Singapore should know better than others how great is the

wealth which we share in common in the Commonwealth—the wealth of friendship and the wealth of happiness.”

AIRPORT READY FOR JETS

Work on enlarging the airfield at Singapore Airport to prepare it for the jet era will soon begin. The new jet airliners are not just another aircraft. They are twice as big, fly at twice the speed and carry twice the number of passengers compared with the conventional piston-engines' planes. The Singapore Airport runway will be extended by 600 ft. in order to take the big jets that would be calling at Singapore in the future. The Departments of Health, Immigration and Customs are streamlining their procedures to meet the facilitation requirements of the jet era. All the major airlines which now operate through this city are re-equipping for the jet era. To meet the increasing demands of the jet airliner, financial consideration must be taken into account, but it must be remembered that jet aircraft will bring more people to Singapore than ever before, which will mean more tourists and more trade.

SERVICES OF SINGAPORE

Singapore has two important jobs to do for the British Commonwealth, the Minister for Communications and Works, Mr. Francis Thomas declared. The two tasks were: to serve the world through the Colony's trade, radio telephone links and international air communications; and to provide an important military base. “We are a great trading and communications centre,” Mr. Thomas declared. We lie centrally to the area where the Commonwealth of Nations exist whilst we are not at all central with regard to the Communist area or to the United States. Our whole life depends on our trading position and it is obvious that our political links should go with our trade. Singapore is also very important as a military base. We have on Singapore Island airfields, a Naval Base and barracks and workshops and a great mass of installations designed and maintained for use in the event of another war. This is not a very happy situation since, if another war came, it might be worthwhile for somebody to drop an atom bomb on Singapore in order to put the bases out of action and we should then be killed quickly by being incinerated in an atomic flash; whereas other areas not in the front line would be killed off more slowly by cancer of the bones and so on as a result of fall-out from radioactive materials in the stratosphere. The difference is not, perhaps, a very great one. If the whole world is going to be killed off in a third World War then we might be happier to be killed off instantaneously than to be preserved for a slower but much more agonizing death.”

“What is important is that these military bases on Singapore are a very important part of our livelihood. They employ about 40,000 Singapore workers of all sorts, from artisans to executives, and without them we should have enormous unemployment and poverty which would dislocate our whole economic life. It appears to me that the Commonwealth is not an artificial or a sentimental idea. It is a practical working arrangement for people who have to live together and earn their living. All sound political arrangements are of this sort; they all have their defects and their faults, and it is always easy to criticise them. It is not so easy to produce something better. The Commonwealth came into being by transformation of the British Empire and the British Empire came into being by a mixture of trade and conquest. The element of conquest is very rapidly disappearing from the Commonwealth, but the element of trade remains and is essential to us. Trade means friendship and cooperation and it is through the Commonwealth that we can maintain friendship and cooperation. Singapore has to be a friend to all the world because she has to trade, if she can, with all the world. Being part of the Commonwealth need not prevent us from being a friend of the world. It is a necessary guarantee of our freedom.”

The Minister also declared, “Although technically we live in one world, politically, we are still trying to live in three. These are: the Communist bloc of China, U.S.S.R. and their satellites; the United States; and the Commonwealth of Nations. Two of these political power groups, the Communist area in Europe and Asia and the capitalist area in America, are huge land masses. The third, the Commonwealth of Nations, is scattered over the seven seas and forms a relatively thin,

disconnected line between the other two. Every country in the world today is more or less closely linked with one or other of these three political groups and even if they are not linked in that way they will be involved if these big power groups clash in a third world war. To put it briefly, if the peoples of the world cannot learn to live together, they will certainly all die together. It appears to me absolutely obvious that Singapore must be and remain a part of this Commonwealth until some time in the future when the great powers of the world are able to produce some better arrangement. The Commonwealth of Nations is unique because those who belong to it do so by their own free choice—India, Pakistan, Ceylon, Ghana, Burma and Malaya—all have a free choice whether to be in the Commonwealth or out. Burma chose to get out, the others chose to stay in.

HEALTH

Minister of Health, Mr. A. J. Braga, at a recent meeting stated: “Our battle for health knows no national or racial boundaries. The population of Asia within the next 15 years will be as numerous as the population of the world today; and a larger proportion of that population will be children and adolescents. Our figures in Singapore are perhaps the most striking illustration of this trend. Of our present population of a million and a half, 50% are 21 years of age or under; and in 1965 when our population, on present trends, will be two million, 46% of them will be 14 years of age or under. At that rate, instead of paediatrics being a branch of medicine, medicine will become a branch of paediatrics. Unless the new emergence of Asia on the stage of world history and the new powers to her people are associated with an improvement of wealth and health, both social and individual, enthusiasm and effort will wane. Those who see the problems of Asia today as epitomised in the sick child, the victim of his social and family environment and inheritance, are perhaps the realists and not the sentimentalists of today. Humanitarianism is bigger than any political creed.”

The Territorial Problems of the Peace Treaty with Japan

(Continued from page 20)

to-day, but a right to possess to-morrow. It may tell a historical title of yesterday's ownership, and means some possibilities of eventual recovery in the future. But, as long as the lease has not expired, it is the leaseholder who exercises sovereignty over the territory concerned.

As Japan technically is permitted to hold the residual sovereignty to Okinawa and Ogasawara, the inhabitants are still keeping their nationalities of Japan. But the residual sovereignty is quite a formal one and any Japanese law is not directly applicable. Only by the order of the American Occupation Authorities, the local laws, including the law of nationality, which prevailed at the time of Japan's surrender, were adopted to be effective there. Therefore the American Military law is solely predominant for all practical purposes. The United States has the right to exercise all and any powers of administration, legislation and jurisdiction over the territory and inhabitants of these islands. This is the peace-time military occupation by the United States, as a temporary measure.

The purpose of the United States to hold the islands of Okinawa and Ogasawara is surely for her military considerations. But the inhabitants of Okinawa are heavily suffering from the sacrifices and burdens of strategic necessities. The film “Tea-house of the August Moon” is a humorous scene of Okinawa, but the actual conditions of Okinawa are much more miserable. Fortunately, the Amami Islands, the northern group of the Okinawa Islands, were returned to Japan on December 25, 1953. This fact of restoration will teach us that the residual sovereignty sometimes changes into the actual sovereignty. On the other hand, the return of the divided Okinawa would mean that the American Military Authorities do not want to give up the main group of the Okinawa Islands in the near future. The fate of Okinawa and Ogasawara essentially depends upon the wisdom and conscience of the people of the United States. No country could expect the goodwill and co-operation of its neighbours by dictated peace and prolonged occupation.

LEARNING HOW TO LIVE IN MALAYA

(By a Malayan Correspondent)

Every month, into the bustling, fast-growing capital of Kuala Lumpur, arrive 100 Malay women from villages up and down the peninsula. Some come by bus and train and others fly into Kuala Lumpur's modern airport, but for all of them it is the beginning of a great adventure. There is a great similarity about all these women and girls in their best clothes and carrying their newly-bought suitcases and wicker baskets, for they have all been selected to undertake a 28-day course at a residential training college for women from the rural areas. The course is sponsored by the Rural and Industrial Development Authority (RIDA) and is another step forward in social progress, a move to bring better living to many thousands of people who live in the remote country areas of Malaya.

This college for rural women, opened in 1956, is an experiment and yet it is an experiment that already has a solid foundation. The beginning was in September 1952 when RIDA held its first four-day course for women at the Agricultural College, 10 miles from Kuala Lumpur. From this course it was discovered that the women were extremely enthusiastic. They were keen to learn how to better their cooking; to make better clothes for themselves and their children; to improve their standard of living, simple though it may be; to know something about fundamental hygiene and how to keep their homes and surroundings healthy. Forty women attended this four-day course and from the lessons learned RIDA branched out with a larger scheme, a residential school for 15 students with courses lasting four weeks. This school, the Taman Asohan Wanita (Women's Training Centre), established at Kuala Pilah in the state of Negri Sembilan, was in effect the guinea-pig for the present college.

RIDA was still experimenting but lessons learned were applied and as the months passed confidence grew. The syllabus was established and widened and, as with all things new, rough corners and snags were smoothed out as they appeared. Experiments in home training became an established success, yet RIDA was still not satisfied and continued to better the training given and to try new methods of teaching and to introduce new subjects. As a result of these courses RIDA has produced for use in the new college text-books written in Rumi (Romanised Malay) and Jawi, which is based on the Arabic script. Last year a further idea was tried and has now become an established part of the curriculum of the new college. Twenty-five per cent of the best "students" on each

course are being asked to stay back for a further four weeks' advanced training in the subjects that they have already had instruction in and also in one subject which will, perhaps, help them to earn a little money—dressmaking, sewing, embroidery, flower-making and so on. This new step is already an unqualified success.

The top floor of the Mal. \$325,000 college is devoted to accommodation and the 100 trainees and some of the staff who are all Malay women. Trainees live in rooms for four and have a large sitting room and a common prayer room. On the top floor, too, is a sick-bay. Down on the ground floor are the teaching and demonstration rooms, assembly hall, a library and offices. The syllabus these days includes cooking, dressmaking, making of children's clothes, agriculture, animal husbandry, child welfare, laundry, hygiene, simple crafts, and simple academic subjects such as a knowledge of Rumi for those who only know Jawi.

Che Azizah binte Ja'afar, principal of the college, is extremely careful not to make the teaching too sophisticated remembering that the trainees will return to their simple, rural life. Although cooking for the students is done on electric stoves, cookery classes are conducted using the ways of the students in their own homes — wood, charcoal and paraffin. The siting of the college in the Federal capital also gives RIDA an opportunity to take advantage of what is an important adjunct to the training inside the college — visits for the trainees to Government departments, to big shops, to taste for the first time what it is like to live in a large, busy town.

Tengku Abdul Rahman, the Prime Minister of Malaya, recently, appealed to rural mothers—"the backbone of this country"—not to be afraid of letting their daughters attend these training courses. He said that in a newly independent country like Malaya much of their progress would depend on mothers, especially those from the kampongs (villages). The motto of the training college has been taken from the initials of RIDA and literally translated means: "Pursue knowledge and practise it." And this is just what is happening. RIDA now and then makes a survey of the old students and has discovered that these training courses have proved to be invaluable. The women return to their kampongs and show others what they have learned and by their own example help raise and improve the living standards of those around them.

CEYLON'S PAST AND FUTURE

The Island of Ceylon, which was promoted in February, 1948, to full membership of the Commonwealth, is separated from the mainland of India by 36 miles of sea. But throughout all its recorded history of 22 centuries Ceylon has had an independent existence politically, with a few interruptions. The Sinhalese, who have come originally from northern India, and who constitute two-thirds of the population, have had their own language and literary tradition during this long period of history. Important Tamil and Muslim minorities are descended from communities who have lived in the Island almost as long as the Sinhalese themselves. The descendants of the Dutch settlers, known as Burghers and numbering about 30,000, play a significant part in the public and professional life of the country.

Until the British penetrated the central parts of Ceylon early in the nineteenth century, the Island was in the main governed by Sinhalese or Tamil kings and had a distinctive culture to which the impressive remains of cities, religious monuments, a highly developed irrigation system and self-governing village communities bear eloquent testimony. "In hardly any part of the continent of India," wrote Dr. William Geigheer, the German scholar who translated the Pali chronicles, "is there such an uninterrupted historical tradition as in the Island of Ceylon." When the maritime settlements of Ceylon became part of the British Empire in 1796, the vitality of the population had been sapped by successive foreign invasions, civil strife and malaria. These settlements had been annexed by the Portuguese in the sixteenth century. The large Roman

Catholic community and the common Sinhalese surnames of "de Silva" and "Fernando" bear witness to their crusading zeal. The Portuguese were driven out by the Dutch who gave the country the Roman-Dutch Law as its common law. The over-running of Holland by the French, with whom Great Britain was at war, during the Revolution, led the British to invade Ceylon to deny to the French navy the fine natural harbour of Trincomalee.

Ceylon has enjoyed the status of a Dominion in the Commonwealth for a little more than three years but it had moved slowly towards such a goal for fifteen decades. National leaders often chafed at the sluggish progress in the direction of democratic self-government and, indeed, early British rule in Ceylon, as elsewhere, was more concerned with maintaining law and order for the peaceful exploitation of the country's economic resources than with the introduction of Western forms of popular government. No persuasion was required to establish Ceylon as a contented member of the British Commonwealth. Nor is there any reluctance to recognise at its full worth the British contribution to the economic progress and political education of the people.

The friendly and helpful manner in which the British statesmen concerned admitted Ceylon to full membership of the Commonwealth by Act of the British Parliament, contributed in no small way to the excellent relations which now obtain between the people of the youngest Dominion and the mother country. A realisation of the benefits of British rule strengthens the links which bind Ceylon to the Commonwealth.

HONGKONG NOTES AND REPORTS

Federation of Hongkong Industries—The memorandum on the formation of the proposed Federation of Hongkong Industries circulated by the Advisory Committee to local chambers of commerce and industrial associations has been given the cold shoulder by the Chinese Manufacturers' Association and the General Chamber of Commerce. C.M.A. last week voiced its objection against the recommendations of the Advisory Committee because 'it was felt that the formation of the Federation with an initial membership of individual factories or firms would spell the doom of the C.M.A. and the functions of the proposed Federation would overlap with activities of the C.M.A. The general committee of the General Chamber of Commerce has not yet met to discuss the question of the proposed Federation but some members feel that since the General Chamber has an international membership (including 19 textile manufacturers) and its objectives are in general similar to the functions of the proposed Federation, there is

actually no need to form a new industrial group. It is also felt that the Chamber, with its long experience, its historical background and its existing organization, is best suited to carry out the work which the proposed Federation intends to do.

Both the General Chamber and C.M.A. seem to favour the maintenance of the status quo. A local English language daily, the Hongkong Standard, considers such an attitude unwise and has asked, "If the status quo has not, during the past ten years, given any indication that it was capable of solving the problems confronting Hongkong's industry, what assurance do we have that it is able to do better in the future?"

Immigration Control—At the Legislative Council meeting last week, Mr. A. Ridehalgh, Attorney General, introduced a bill to tighten control of illegal immigration into the Colony. Under the existing ordinance, entry into the Colony is prohibited except at certain specified points, but the courts have held that the offence is not a continuing one and is completed the moment the land or sea frontier is crossed. This has made it extremely difficult to obtain convictions in respect of illegal entry and to prosecute persons who aid illegal entry. The new bill will have the effect of making it an offence to remain in the Colony after illegal entry except with the permission of the Immigration Officer. Whereas the existing law suggests that the examination of immigrants may take place only on arrival at authorised landing places or points of entry, the new bill will permit the examination of immigrants who are found in the Colony after having entered illegally. The ordinance also enables the Immigration Officer to seize and detain vessels, aircraft and vehicles which are suspected of being used to assist illegal entry but it is provided that no vessel exceeding 250 gross tons and no aircraft or train may be seized except with the prior consent of the Colonial Secretary. The bill, with many other changes regarding the control and offences of immigration, is being introduced none too soon in view of the recent heavy influx of illegal immigrants from the Mainland. Hongkong's public utilities, social services and general economy are being taxed to the breaking point. We must first STOP the unceasing illegal influx of immigrants and then do something about the very large number of jobless illegal immigrants who are already here many of whom having been most undesirable and even dangerous characters.

Public Transport—An Urban Councillor, Mr. Philip Au, declared recently that Hongkong's public transportation facilities are unable to cope with the swollen population. He said inter alia: On the Hongkong side trams are over-burdened during the peak hours. In Kowloon, dense groups waiting at the main bus stops fight tooth and nail to get into the buses. Here again the white-collar class is principally affected, although the labour class also suffers. The latter, however, has the advantage of using transport early in the morning when the load is not too heavy. During peak periods people have to wait for the passage of half a dozen buses of the desired route before they finally succeed in boarding one. School-children also are suffering from this lackadaisical system of operation. In the early morning children, some just tiny tots, have to fight their way to get into a bus. The bus company should put on more buses during the school hours to relieve the congestion. Apart from getting stomach ulcers it is a shameful waste of time. Hongkong is no longer a backward city. We have long discarded our swaddling clothes, but public transportation is hardly keeping abreast of the times. Government has put in hand a series of town planning schemes, some of which will be completed within four or five years. This is highly commendable, but we should also do something about our public transportation.

More and more visitors are coming to Hongkong, and many of them would like to see our night life. Factories also often have night shifts. But after midnight or 1 a.m. our public transportation facilities, except taxis, cease completely. There should be a skeleton service throughout the night—a ferry running every half hour, as well as certain bus routes, for the convenience of night workers.

Land Sales—The Hongkong and Shanghai Banking Corporation last week bought a piece of land at Tai Po, Tsuen Wan, from Government at a public auction. The lot, comprising 16,900 square feet was sold to the bank at the upset price of

When Ceylon became a British Colony, its population had dwindled to less than a million. The feudal system at the centre and local self-government at the circumference were crumbling. Education was stagnant and there were no industries producing for export other than the cinnamon monopoly. The British built roads into the interior and introduced new and profitable crops.

Ceylon's economy today is founded very largely on its three export industries: tea, rubber and coconuts. The tea industry, which makes a substantial contribution to the national income and to Government revenue, is still owned to the extent of about 75 per cent. by British capital. Investors have little reason to complain when they get a yield of 10 per cent. at current share values in one of the most stable agricultural industries anywhere.

Ceylon's place in the Commonwealth is determined by the democratic pattern of its government, by its participation in a Commonwealth foreign policy, by the integration of its system of commerce and finance with that of the Commonwealth as a whole, and by strategic considerations. It is obvious that Ceylon has neither the resources nor the trained personnel to defend itself against a powerful aggressor. Yet, during the last war, the island played a significant role as a base of operations for the South-East Asia Command and as supplier of vital strategic war materials such as natural rubber and high-grade graphite or plumbago.

The Ceylon House of Representatives—allowing for local differences—is a smaller edition of the British House of Commons. Adult franchise, territorial representation, Cabinet responsibility, the separation of the Judiciary from the Executive, all these features of the British Constitution are reproduced in the Ceylon Constitution. The procedure of the Senate and House of Representatives follows closely the procedure of the two Houses of the Mother of Parliaments. The British left behind a well-trained public service with sound traditions, but an ever-increasing volume of work, with the Government extending social services and going into many new enterprises, is bound to tax its framework severely. The problem of the statesman in Ceylon, as elsewhere today, is that of increasing production and bringing down the cost of living. In these tasks the Ceylon Government has worked in concert with the rest of the Commonwealth. Ceylon has also made a notable contribution to the dollar pool of the sterling area. Ceylon sees the advantages of a Commonwealth foreign policy in a world menaced by ideological threats to peace and stability. The pattern of the island's trade, despite the necessity to buy the larger part of its food supplies from outside the Commonwealth, also shows that the youngest Dominion gains by remaining a member of the family of nations which is today the strongest guarantee of the survival of the democratic system. Ceylon is the first Crown Colony to graduate to nationhood, and its career is watched by many who hope to reach that status by the same process. If it can produce leaders of the calibre of its former Prime Minister Don Stephen Senanayake, then Ceylon's future as a small and self-respecting member of the Commonwealth is bright.

— H. A. J. Hulugalle

\$67,600; there was no other bidder. The lot is restricted to the erection of an office building or buildings and staff quarters. Conditions of purchase call for the completion of the buildings within two years at an expenditure of \$600,000.

Government advertised the sale by public auction of a Crown Lease of about 690,000 square feet of land in Chatham Road, Kowloon, opposite the Hung Hom Police Station. This is the largest sale of Crown land in a single urban lot to be held in the Colony since the Pacific War. The upset price of the lot is \$9,450,000 and the lease is for 75 years at a Crown Rent of \$25,344 per annum, renewable for a further term of 75 years at a re-assessed rent. The site embraces the old Lo Lung Hang quarry adjacent to Chatham Road and extends from Valley Road to Pak Kung Street, Hung Hom. The land is being sold as one lot in order to ensure maximum use of the area. Owing to the rocky nature of the land, a great deal of site formation work, including blasting, is required. The whole of the land will be used primarily to provide housing, and the lot is therefore restricted to non-industrial use. The purchaser is required to fulfil a building covenant of \$20 million over a six year period and provide not less than 2,500 flats or tenement floors. The purchaser will also be required, after formation of the site, to surrender to Government free of charge an area of 60,000 square feet, which will be used for public purposes. On the day of sale, possession of about 250,000 square feet will be given to the purchaser; possession of the remainder will be granted as soon as the squatters in the Valley Road area are cleared, which will be not later than June 1959. The building covenant for the initial area of 250,000 square feet, possession of which will be given on the day of sale, is \$7 million, to be completed within four years. The purchaser will also be required to spend a further \$7 million on buildings for the 440,000 square feet within four years from the date when possession of the remainder of the lot is given. Another \$6 million on buildings will have to be spent within six years from the date when possession of the remainder of the lot is given. As each stage of the development is completed (i.e. when the

building covenant for that stage has been fulfilled) the purchaser will be free to assign portions of it before the next stage is completed, subject to certain conditions in the lease.

Public Works Projects—Government will build a new resettlement estate in the Kun Tong area to accommodate about 56,000 people. The scheme consists of 26 blocks of 7-storey buildings in a valley north of the Kun Tong reclamation. The first stage calls for the construction of four H-blocks with accommodation for about 11,000 people. Site formation will soon begin; construction work will start in about 9 months' time.

A 6-storey magistracy will be built on a site in Taipo Road above Shek Kip Mei resettlement estate. The main entrance will face Taipo Road. Four courtrooms will occupy the whole of the ground floor and the three floors above. The District Commissioner, New Territories, will have his offices on the fourth floor. The top floor above will be used as the headquarters of the Department of Agriculture, Fisheries and Forestry. Government will build three more magistracies at Causeway Bay, in the Western district and at Fanling, New Territories.

A portion of the Yaumati Typhoon Shelter will be reclaimed to provide an additional access to the Tai Kok Tsui area of Kowloon. A seawall for the extension of Tong Mi Road from Cherry Street to a point south of Nelson Street will be constructed for the reclamation of an area of about 61,200 square feet of foreshore and seabed.

Government will construct a public pier together with an approach causeway at Sok Ku Wan (or Picnic Bay) on Lamma Island to provide easy access by sea between Hongkong and South Lamma. The pier, to be built of reinforced concrete, will extend about 210 feet into the sea and will have a frontage of 44 feet. Another public pier together with an approach causeway will be constructed on Tsing I Island opposite Tsuen Wan. The reinforced concrete pier will extend 111 feet into the sea and will have a frontage of 81 feet and occupy about 3,590 square feet of foreshore and seabed.

FINANCE & COMMERCE

TEA TRADE IN 1957 AND PROSPECTS

World production of tea in 1957 (exclusive of China and the U.S.S.R. was somewhat higher than in 1956, when it amounted to 680,000 metric tons. Contrary to earlier expectations, the shortfall in the production of northern India was almost completely offset by higher output in southern India, so that total Indian production remained only slightly below 1956. The record crop harvested in Ceylon, as well as a larger output in Indonesia, more than balanced the reduction in Pakistan's output. A further small increase was recorded in the African producing regions; and, unless production differs substantially from last year's volume in Japan, Taiwan, and other smaller growing countries (for which no final crop figures are at hand), world production can be estimated at around 700,000 metric tons, 3 percent above 1956:

Country	1955	1956	1957
	Thousand metric tons		
India	302.2	303.7	303.1
Pakistan	23.8	25.5	21.6
Ceylon	172.4	170.4	180.4
Indonesia	44.0	42.9	46.7
Japan	72.9	70.7	—
Taiwan	14.7	13.5	—
Africa	29.6	33.7	35.0
World Total*	677.0	680.0	700.0

This slight increase in production however was accompanied by generally lower and less satisfactory quality. Although growers did not resort to coarser plucking, but tried to manufacture the best possible tea from available leaf, recurrent spells of unfavorable weather in northern India and drought conditions in Pakistan were not conducive to the production of quality teas. This was reflected in the price trends during the year. Calcutta prices of the 1957 crop declined steadily from July 1957 to the end of February 1958. At the Colombo auctions, prices remained depressed throughout 1957 and showed but little improvement in the first months of 1958. In London, warehouse stocks were higher than in any previous postwar year, and prices remained below 1956 levels. The temporary rise of prices in the last quarter of 1957 was the result of labor unrest and stoppage of shipments in Ceylon and of the uncertainty about future Indonesian supplies. This increase appeared to be tapering off in January and February 1958, but quotations in March 1958 again indicate a slight strengthening of the market. It has to be borne in mind that average price quotations ("all tea") tend to conceal one of the principal aspects of the 1957 price situation, namely the highly selective and discriminating buying policy in evidence at all auction places. The comparatively few high quality parcels on offer fetched exceptionally high prices in some months, while plain tea from India, Pakistan, and Ceylon was sold at discounts of up to 70 percent. This widening of the price differential was especially marked during the summer.

For the second successive year, trade returns show a substantial quantitative discrepancy between world exports and imports. The Suez crisis had resulted in unusually large ship-

* Excluding U.S.S.R. and China.

ments from Indian ports in November and December 1956, while the longer shipping route delayed arrival of tea in consuming countries until the following year. Thus, recorded imports in 1957 were considerably higher than in the previous year, although world exports did not equal the 1956 volume. Indian exports fell short of 1956 by almost 40,000 tons, and Pakistan's exports were reduced to one third. Other producing countries were more successful in maintaining their export volume, but total world exports are not likely to surpass 470,000 tons, a decline of about 9 percent compared with 1956. With rising output and lower, or stable, exports, stocks in Far Eastern ports at the end of 1957 were estimated at about 80,000 tons, 15,000 tons more than a year before. The continuing shipping difficulties at Colombo harbor were partly responsible for this increase.

World imports, on the contrary, are provisionally estimated at 500,000 tons. Net imports into the United Kingdom reached a new record of 256,000 metric tons, nearly 11 percent more than in 1954, the previous peak year, and 17 percent above 1956 imports. Some other important consuming countries also recorded higher imports (see table below), while in a number of countries for which no complete 1957 import figures are published as yet, imports during the first ten or eleven months point toward a further improvement in total 1957 imports compared with 1956. In some continental European countries, especially the Netherlands, and in some North African markets, imports show a slight decline compared to 1956. The U.S.S.R.'s purchases on world markets (9,200 tons), while not as large as had been expected, were about double the 1956 quantities.

Tea: Exports and Net Imports, Principal Countries, 1955-57

Country	1955	1956	1957
Thousand metric tons			
Exports			
India	165.0	237.8	197.5
Pakistan	5.9	9.9	3.0
Ceylon	164.4	161.9	160.1
Indonesia	29.0	34.5	33.2
Africa	24.0	28.0	29.3
World Total¹	435.0	515.0	470.0
Net Imports			
United Kingdom	211.6	218.2	256.1
Ireland	11.8	5.9	12.5
Netherlands	7.4	9.6	8.1
Denmark	0.9	1.4	1.2
United States	47.0	45.3	48.6
Egypt	17.2	14.2	15.7
U.S.S.R.	—	4.6	9.2
World Total	456.0	465.0	500.0

¹ Partly estimated on the basis of 10-11 months' trade returns. — ² Including China's exports to world markets.

However, changes in the stock position indicate that 1957 consumption lagged behind net imports. In the United Kingdom, only a small part of the increase in imports was channeled into current consumption. Stocks in bonded warehouses rose steeply, from less than 30,000 tons in December 1956 to a peak of over 70,000 tons in May 1957, a volume exceeded only once in postwar years (April 1955). In the second half of the year, stocks remained at comparatively high levels and declined only gradually to about 56,000 tons at the end of December 1957. Consumption is established at a few thousand tons more than in 1956, and per caput absorption is estimated to have risen by a small amount, from 4.48 kilograms in 1956 to 4.52 kilograms in 1957. In the United States, the increase in imports was more than offset by population growth and per caput consumption has fallen. Only in a few countries, such as Australia and Western Germany, are the higher 1957 imports likely to result in higher per caput absorption.

The very slow and halting development of consumption in the main export markets, together with a substantial rise in domestic tea consumption in producing countries, have been a general feature of the postwar period. In importing countries, population growth accounted for a large part of the rise in imports, and on a per caput basis there has been but small progress. In the United Kingdom, which has the largest per caput consumption in the world, and where practically every adult person is a consumer, consumption per head rose by about 20 percent over the past seven or eight years. But since 1953, when the prewar level of consumption had again been attained after the abolition of rationing and price control, per caput consumption has been fluctuating between 4.25 and 4.53 kilograms. Any further rises seem likely to be small. No significant improvement is visible in the Netherlands, where per caput uptake is still below prewar, or in Ireland where it has remained practically stable over the last seven years. Despite vigorous promotion efforts, per caput consumption has not improved in the United States and has fallen continuously in Canada. On a per caput basis, tea has lost ground in Australia, and no expansion of consumption has been recorded in New Zealand.

Consumption has risen in some continental European countries which traditionally prefer coffee to tea—Denmark, Germany, Italy, etc.—but the size of each of these markets is very small, and amounts to between 1,000-5,000 tons. It continued to make steady progress in the Union of South Africa, the Arab countries of the Near East and North Africa. Tea imports in the Near East increased by 70 percent (15,000 tons) over the past six or seven years, and have trebled in comparison to prewar. In North African markets, the percentage rise since 1950 amounted to 18 percent and 1956 imports were about double the prewar volume. But more important was the rise of tea consumption in the producing countries themselves. At present, between 30 and 35 percent of world output (excluding the U.S.S.R. and China) is taken up by domestic requirements, as compared to about 20 percent before the war. India now absorbs approximately one third of its total output, or nearly 100,000 tons. Since partition, domestic uptake has increased by about 40 percent in India and 130 percent in Pakistan. Over the past seven years, per caput consumption in Japan rose by almost 60 percent, leaving less tea available for export. If the production and consumption of tea have been more or less in balance in the past years, and if no unwieldy surpluses have emerged, this was due to a large extent to the continuous increase in domestic requirements. Aware of the important function and growing needs of the home market, the Government of India recently established a special Tea Promotion Committee on the recommendation of the Tea Board.

While it is not yet possible to estimate output in 1958, early indications are that it may remain below the high volume reached in 1957 in the main producing countries. The droughts which occurred in 1957 in India, Pakistan, and Nyasaland are believed to have affected output in the current year. Although the floods in Ceylon caused only minor damage to the tea producing regions, the disruption of communications and prolonged period of storage may make it difficult to find ready buyers later in the season. Output in January and February 1958 was apparently lower than last year. The future of Indonesian production is made unpredictable by political disturbances. However, even if prices should receive support from a decline in current production, this might well be offset by rising production costs. Costs rose further in India during 1957 owing to the shortage and higher prices of food grains, bonus payments to labor, and higher cost of living. While quality teas will always find ready markets, the producers of common tea will continue to face low prices. Moreover, India, the largest producer of common tea, will suffer from increasing competition on world markets from African tea, owing to improvements in quality and to the fact that costs there are lower. With a view to rehabilitating over-aged and low-yielding areas, the Ceylon Government has recently set up a replanting fund aiming to replant with high-yielding strains 2,000 hectares annually over the next eight years. A new export tax of 4 rupees cents per pound will be levied to this end as of April 1958.

HONGKONG EXCHANGE MARKETS

U. S. \$

June	T. T. High	T. T. Low	Notes High	Notes Low
23	\$581	\$580½	\$580¼	\$578¾
24	580	579¼	579¼	578½
25	580¼	580¼	579¾	578¾
26	581	580¼	580¼	579¼
27	581½	580¼	580¼	579¾
28	580¼	580¼	579¾	578¾

D. D. rates: High 580 Low 578¾.

Trading totals: T.T. US\$4,120,000; Notes cash US\$495,000, forward US\$2,360,000; D.D. US\$380,000. In the T.T. sector, gold and general importers absorbed funds from Japan, Korea, and the Philippines. In the notes market, speculative activities were not very active. Interest for change over favoured sellers and aggregated HK\$5.10 per US\$1,000. Speculative positions averaged US\$1.5 million per day. The D.D. sector was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.79125—1.775, Japan 0.0144—0.014275, Malaya 1.88—1.873, South Vietnam 0.0714—0.07092, Laos 0.058, Cambodia 0.084, Thailand 0.2724—0.2723, Indonesia 0.08. Sales: Pesos 220,000, Yen 55 million, Malayan \$250,000, Piastre 8 million, Kip 5 million, Rial 5 million, Baht 3 million, Rupiah 250,000.

Chinese Exchange: People's Yuan notes declined on account of the difficulty in carrying them back to the Mainland. Quotations here were HK\$0.945—0.67 per Yuan, in comparison with the official rate of 2.3419. Taiwan Dollar notes quoted \$0.141—0.14 per Dollar; remittances, 0.13325—0.133.

Gold Market

June	High .945	Low .945	Macao .99
23	252¼	252	\$262¼ High
24	252	251½	
25	252½	251¼	
26	252¼	251¼	261½ Low
27	252¼	252	
28	252	251¼	

Opening and closing prices were 252¼ and 252, highest and lowest, 252¾ and 251½. The market was very quiet. Interest for change over favoured sellers and aggregated 49 HK cents per 10 taels of .945 fine. Tradings averaged 4,600 taels per day and totalled 27,600 taels for the week, in which 8,020 taels were cash dealings (1,720 taels listed officially and 6,300 taels arranged privately). Positions taken by speculators averaged 5,500 taels per day. Imports from Macao totalled 9,000 taels. One shipment of 32,000 fine ounces reached Macao from abroad in the week. Exports amounted to 6,500 taels (5,000 taels to Singapore and 1,500 taels to Rangoon). Differences paid for local and Macao .99 fine were HK\$12.20 and 11.30—11.20 respectively per tael of .945 fine. Cross rates were US\$38.02—38.01 per fine ounce; 6,400 fine ounces were contracted at US\$38.02 cif Macao. US double eagle old and new coins quoted \$269 and 234 respectively per coin, English Sovereigns \$59 per coin, and Mexican gold coins \$275 per coin. **Silver Market:**

400 taels of bar silver traded at \$5.50 per tael, and 500 dollar coins at \$3.54 per coin. Twenty-cent silver coins quoted \$2.70 per five coins.

HONGKONG SHARE MARKET

Last week's market was very firm with prices fluctuating within a narrow limit. Demand was keen throughout the week but buyers were reluctant to offer higher prices while most sellers anticipated better rates. Consequently, most shares closed at the firm level of the previous week after fractional gains during the week; the undertone was bullish.

Interest covered most popular shares but transactions in Hotels, Lands and Utilities accounted for about 50 per cent of the total turnover which amounted to \$4,190,000 (Monday \$905,000, Tuesday \$1,203,000, Wednesday \$457,000, Thursday \$527,000, Friday \$1,098,000). Trading in Hotels alone aggregated

more than \$560,000, about 13 per cent of the total turnover. A total number of 25,600 shares changed hands during the week at prices ranging from \$21.50 to \$22 and closed at the week's high. Buyers are confident that the company's 1958 earnings will be better than 1957.

Lands had 13,300 shares transacted but closing rate was fractionally lower than that of the previous week; total turnover amounted to about \$446,000.

Among Utilities, Trams registered sales of 24,000 shares at a total value of about \$641,000; Electric, 14,900 shares and \$427,500; Lights, 20,500, \$369,000; Telephones, 7,200, \$201,000; Yaumati, 450, \$44,500; and Star Ferries, 400, \$45,500. Total amount of transactions in Utilities was about \$1,729,000, 28 per cent of the week's turnover.

Dividend—Macao Electric Lighting Company will pay a dividend of \$1.20 per share for the year ended November 1957.

Share	June 20	Last Highest	Week's Lowest	Rate	Closing	Up & Down	Dividend	Estimated Yield (%)
HK Bank	795	800	795	795	firm		\$42	5.28
Union Ins	75	75.50	75	75	firm		\$3.40	4.53
Lombard	29n	29n	28.60b	29n	firm		\$2	6.90
Wheelock	6.25	6.25	6.20	6.20		-5c	75c	12.10
Yangtze	5.80	5.90	5.80b	5.90b	+10c		65c	11.02
Allied Inv	4.60s	4.65s	4.50b	4.65s	+5c		25c	5.38
HK & FE Inv	10.50n	10.60	10.40b	10.60s	+10c		80c	7.55
HK Wharf	101	104	100b	103	+8c		\$9	8.74
HK Dock	42	43.50	43	43.25	+1.25		\$2	4.62
Provident	12.50	12.60	12.50	12.60	+10c		\$1	7.94
HK Land	33.75	33.75	33.50	33.50		-25c	\$2.40	7.16
Realty	1.65b	1.70	1.675	1.70b	+5c		15c	8.82
Hotel	21.40	22	21.50	22	+60c		\$1.50	6.82
Star Ferry	113b	115	113	115	+8c		\$9	7.83
Yaumati	99	99.50	99	99	firm		\$7.50	7.58
Trams	26.90	27.20	26.70	26.90	firm		\$1.90	7.06
Light	18.10	18.30	18	18.20	+10c		\$1.10	6.01
Electric	28.50	28.80	28.50	28.60	+10c		\$1.90	6.64
Telephone	27.50	28	27.50	27.80	+30c		\$1.50	5.40
Cement	23	23.60	23.20	23.30	+30c		\$3	12.88
Dairy Farm	17.70	17.90	17.50	17.70	firm		\$1.80	10.17
Watson	11.30	11.60	11.40	11.50	+20c		\$1	8.70
Amal Rubber	1.50	1.525	1.50	1.525	+2½c		20c	13.11
Textile	4b	4.15	4.10	4.10	+10c		60c	14.53
Nanyang	7.90	7.90	7.70	7.80s		-10c	\$1.10	14.10

TRADE REPORTS

HK IMPORTS & EXPORTS

Hongkong's entrepot trade in produce, metals, paper, chemicals, pharmaceuticals and sundries remained quiet without any prospect of better business in the near future. The gradual decline in reexport trade since mid-1957 however has not paralysed the local commodity markets. Prices remained steady in general because dealers here have assumed a very cautious attitude in booking supplies from UK, Europe, US, Japan and other sources. The majority of local importers who used to depend on reexport business have, during the past year, either developed export of Hongkong products to various markets abroad or concentrated their efforts in promoting local consumers' demand for imported merchandise.

Trade with China—Shanghai, Canton and other industrial centres in China are sending here a great variety of light industrial products at ridiculously low prices. Mainland leather shoes are selling in the local retail market at prices ranging from \$2 to \$15 a pair, much

lower than similar products made locally. An exhibition of Chinese silk and linen embroidered goods is now being held here. Items on sale include blouses, underwear, pajamas, dressing gowns, shirts, neckties, scarfs, napery and handkerchiefs. Girls' and boys' embroidered cotton pajamas are only \$3.50 per set and silk fancy blouses, \$3.20 a piece. Chinese canned food, cotton goods and a long list of other handicraft and light industrial products are flooding the local market and providing serious competition for similar local and Japanese goods. Many items are so cheap that if a blockade-runner can smuggle them back to China and sell them to consumers on the Mainland, his profit can be incredibly huge.

Trade with Japan—The disruption of trade between Japan and China has not stimulated Japan's purchases from here to any appreciable degree. Exports from here to Japan last week consisted only of a few hundred tons of scrap metals and small lots of sesame, hide and beans.

Trade with UK—Consignments of Hongkong manufactures to UK amounted

to about 2,000 tons last week. There were also exports of ginger, rosin and other produce but the volume was insignificant. UK finishing mills recently curtailed the purchase of grey cloth from here not on account of Lancashire's agitation but due to the decline in re-export of finished cloth to Europe and other markets.

Trade with US—Imports of staple and durable consumer goods from US remained very heavy. According to leading electrical appliances dealers here, American air conditioning units are enjoying an unexpected strong local demand this year. First shipments of several well-known brands are already sold out. More people are considering an air conditioning unit as a necessity instead of a luxury. Instalment payment facilities offered by all dealers enable a buyer to have a unit of one horsepower at a down payment of about \$300 followed by 12 monthly instalments of \$100 each. American summer suit materials of synthetic fibres are becoming more popular than British textiles. In the case of canned foods and other provisions, the percentage of American goods on the shelves of local stores is steadily increasing. Consequently, Hongkong is importing far more American goods than exporting local manufactures to US.

Trade with Thailand—Importers in Bangkok curtailed purchases from here because they could not sell their merchandise at a profit after tax rates on a large number of imports had been increased there.

Trade with Indonesia—Shipments to and from Djakarta remained slow although shipping services between Hongkong and Indonesia had improved. Orders from Djakarta last week were only for small lots of cotton yarn, sundry provisions and foodstuffs, mostly of local origin. Djakarta importers still considered purchases from here too expensive not only because Hongkong dollars remained high in the exchange market there but also on account of keen competition from large quantities of cheap Chinese and Japanese goods on Indonesian markets.

Trade with Philippines—In spite of the restrictions imposed by Manila on "personal baggage" carried by Filipinos returning from Hongkong to stop the illegal entry of untaxed merchandise (particularly luxuries), a large number of such baggages still contained undeclared goods. Last week, Manila Customs found that two leather trunks from HK contained 70,000 drug tablets in addition to several hundred plastic fountain pens, 300 pairs of nylon stockings and large quantities of cosmetics.

Manila also bans entry of all Chinese products from Hongkong but there is no

efficient way at present to prevent misdeclared goods from entering the Philippines. Unscrupulous traders can substitute goods of Chinese origin for Hongkong products after obtaining documents from the Hongkong Government and Philippine Consulate; Manila has to inspect every case and package of goods from Hongkong in order to plug the loophole.

Trade with Burma—Exports to Rangoon revived after several weeks of quietude. Principal items included wheat flour, provisions, fruits, sundry provisions, vacuum flasks and other HK manufactures. Most orders were booked last month and shipped there under open general licences issued there for the second quarter.

Trade with Australia—Imports from Australia included 97 ponies ordered by the Hongkong Jockey Club. Imports of wheat flour were curtailed on account of the sluggish local market. Exports of HK manufactured cotton goods, plastics, rattanware and metalware totalled about 2,000 tons.

Trade with Africa—Traders in British East Africa curtailed purchases of cotton piece goods and enamelware from here because authorities there had increased the duty on these imports to protect domestic industries. Dealers here rushed shipments of HK manufactures to French West Africa last week; they anticipated that authorities there might stop issuing new import licences in the near future.

HK COMMODITY MARKETS

Produce—Popular items such as sesame, maize, soya bean and gallnut retained strong demand from Japan but transactions were limited by the lack of adequate supply from China; produce of SE Asian and Korean origins was taken in most cases. Europe and UK remained interested in sesame, gallnut, cassia, aniseed star, feathers and woodoil but purchases were also handicapped by short supply. There were also orders from Australia for woodoil, from Singapore and Malaya for garlic, from Canada and India for cassia, and from Philippines for red bean; quantities involved however were too small to stimulate the market.

Metals—China circulated a number of enquiries in the local market for galvanized iron and black pipe, copper and brass scraps, steel plate, blackplate and tinplate waste waste. Buying offers however were mostly too low to interest local dealers. Consequently only a small volume of business was concluded. Exports to SE Asia were quiet; there were only orders from Thailand for small lots of structural steel and aluminum sheet, from Singapore for steel plate and from Japan for scraps. Local demand for factory items and structural steels slowed down but prices for most popular items remained firm on the local market.

Paper—Reexports of paper to SE Asia remained quiet. Even Korea suspended purchases from here. Prices for a large number of items, particularly those of Japanese and Chinese origins eased because Japanese indents were

fractionally lower. CIF offers from Europe for some items were also marked down slightly. There were however no sharp price drops because market quotations here for many items were still lower than European indents particularly in the case of m.g. white sulphite.

Industrial Chemicals—China enquired for acetic acid, bronze powder, urea, hydrogen peroxide and gum copal; most transactions fell through either because buying offers were too low or on account of short supply. The market was therefore very quiet.

Pharmaceuticals—Local pharmaceutical manufacturers provided limited but steady demand for phenacetin, sulfonamides and other fine chemicals. Exports were quiet; there were only orders from Korea for dihydrostreptomycin and quinine, from Singapore and Malaya for quinine, and from Thailand for aspirin. Prices were steady in general because most items were short-stocked.

Cotton Yarn—Trading in HK manufactured yarn slowed down. Local spinning mills adopted a more cautious attitude in selling yarn to local weavers and spinners on credit because several weavers had recently declared bankrupt. In exports, only Indonesia bought some local yarn. Export to SE Asia is now seriously affected by heavy shipments of cotton yarn direct from China and Japan to these countries.

Cotton Piecegoods—Trading on the spot market was very quiet. Prices for HK brands were steady because most weavers still had enough orders on hand to keep their factories running for at least three more months. They reported however that prospects were not very bright and that exports during the second half of 1958 might further decline.

Rice—Bangkok indents were marked down fractionally. Prices on the local market were steady in general because retailers absorbed considerable quantities from importers during the week.

Wheat Flour—Burma bought a large consignment of local brands from here but prices on the market continued to decline because indents from Canada and US were further marked down. China is offering to ship wheat flour to the local market at prices about 30 per cent cheaper than the cheapest HK brand.

Sugar—Keen competition between Taiwan and Chinese sugar continued to force prices down in the local market. Hongkong Taikoo products were also marked down.